

SOME ASPECTS OF INDONESIAN PATENT LAW

In Comparison with the Australian Patent Act

by

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ABSTRACT

The protection of a person's natural rights to his or her intellectual property is of paramount importance, and this is presently an international practice.

By the enactment of the Patent Act in 1989, Indonesia has tried to be in line with the requirements of such international practice. This is also the latest example of Indonesia's efforts to encourage and facilitate foreign investment in the country.

Australia had already had a Patent Act in place considerably earlier than Indonesia, and to stress the role of technology in the Act, Australia in 1990 totally revised this Act in order to enhance indigenous innovations and to become an exporter of technology.

Although both Patent Acts correspond to international practices, the implementation of certain provisions in respective Act might not be similar, given national interest dictated the policies of each country.

This thesis identifies and makes straight comparison of provisions contained in the new Acts of both countries and considers the possible consequences for Indonesia by extrapolation from the Australian experiences.

The conclusion drawn in this thesis is that the organisation and clarity of the Australian Act indicates the substantial amount of preparation conducted prior to the enactment of this Act.

INTRODUCTION

On August 1, 1991, a long-awaited Indonesian Patent Law came into force. This was the culmination of approximately three decades of discussion. The Act is divided into 16 Sections and has a total of 134 Articles. The main parts of this Act deal with patentability, issues of simple patent certificates, rights to patent and naming of inventor, grant of patent, international applications, rights and obligations of an applicant or owner of a patent, term of patent and annual fees, contractual licences, compulsory licences, exploitation of patented invention by or through the government, surrender, invalidation and revocation of a patent, infringement of patent rights.

There are also some Implementing Regulations that spell out the work of provisions in Patent Law, the regulations of which are as follows:

- Government Decree number 32 of 1991 dated June 11, 1991 concerning Importation of Raw Materials or Certain Patented Products for Domestic Products;
- Government Decree number 33 of 1991 dated June 11, 1991 concerning Special Registration for Patent Consultants;
- Government Decree number 34 of 1991 of June 11, 1991 concerning Procedure of the Application for Patent Rights;

- Minister of Justice Decree number M-01.HC.02.10 of July 31, 1991 concerning Simple Patent;
- Minister of Justice Decree number M-02.HC.02.10 dated July 31, 1991 concerning Procedure of Patent Announcement;
- Minister of Justice Decree number M-03.HC.02.10 dated August 2, 1991 concerning Provisional Standards of Patent Application Fees.

Stated objectives of the Act were to encourage technological advancement and to develop the nation's industrial capacity. It should also be seen that the enactment of Patent Law was largely due to economic pressures from western countries, particularly from United States of America.

The provisions stipulated in the Patent Law of the two countries reveals that, although there are numerous similarities due to alignment with International Conventions, there also fundamental differences possibly as a consequence of different national interests. Indonesia assessed its interests from a less developed country's point of view, which means a heavy stress upon the use of patents and its effects on industry, rather than on protection of a person's rights of invention. Thus, some inventions, like medical treatments, food productions and plant and animal varieties are excluded from patentability. As practised in other fields, however, interpretation, meaning and variety of exceptions will

take some time before the Patent Law finds its form. By contrast, Australia adopts an intermediate policy taken from developed and less developed countries which looks for more protection of the individual's rights of invention. The result is more variety in invention that are patentable under Australian Law, which in fact, is also consistent with international practices. Thus differing concerns are partly responsible for differences in the respective legislation.

In order to trace some of the influences on Indonesian Patent Law and examine likely trends from the Australian experiences, this paper establishes the foundation for further research and compares some aspects of the Indonesian Patent Law with relevant Australian laws. This research will, however, exclude areas such as confidential information, which although part of the network of laws governing the legal protection of inventions, have not been satisfactorily developed under Indonesian Law.

The Indonesian Government hopes that the Patent Law will provide encouragement for national satisfactorily development, fastening the transition from an agricultural country to an industrial country.

For the purpose of this research, therefore, this paper in its chapter one will give a brief historical development of patent law in both countries.

There follows in chapter two a discussion of policy background for adopting a two tier system and certain subject matter to be protected under the patent system.

Chapter three focuses on substantive patentability of an invention prior to requirements to grant a patent.

Chapter four outlines the procedural requirements for patent applications as well as ownership of patent rights.

Chapter five discusses the exploitation of an invention and duration of monopoly rights.

Chapter six completes the discussion on protecting patentee's exclusive rights from any infringement, as well as examines the efficacy of infringement provisions in both countries.

Finally, some conclusive comments made in chapter seven are drawn from notable provisions contained in both legislations.

CHAPTER 1

THE PATENT LAW

1.1 History of Indonesian Patent Law

The development of Indonesian Patent Law is closely linked with its political history. Prior to Independence on August 17, 1945, the Netherlands-East-Indies (predecessor of Indonesia) was a colony of the Netherlands. (1) During the colonial period, a principle of concordance was adopted, whereby the civil and commercial law applied to the Netherlands would also be in force in the Netherlands-East-Indies subject to "Raad van Indie" (the Colonial Parliament) approval. In 1888, the Netherlands registered the Netherlands-East-Indies in the Paris Convention. In 1910 the Netherlands enacted the Patent Act; this was followed by its introduction to the Netherlands-East-Indies in 1911, and then the establishment of the Batavia (predecessor of Jakarta) Registration Office for examination in the Netherlands. (2)

It should be noted that the accession to the Convention was not changed and even after Independence the Indonesian Government declared itself as legal successor of the Netherlands-East-Indies. (3) This situation was based on the Government's awareness and realisation that legal drafting cannot be accomplished overnight. However, being an independent nation, the Government decision to continue

to enforce colonial rules was subject to the pre-conditions that they do not contradict the Constitution. (4) Therefore the mere practice of patent application by the Jakarta Registration Office and then forwarding it to the Netherlands Patent Office for examination was to cease as it was regarded as contrary to the sovereignty of the nation. (5)

Therefore, on August 28, 1953, the Government announced a provisional patent registration procedure, stipulating that while the Patent Law was under preparation, any application for registration either from overseas or local sources should be submitted to the Indonesian Department of Justice and should follow certain procedures. These were: (6)

"Any application for provisional registration could be made in the Indonesian language or in a foreign language, provided that it was accompanied by an Indonesian translation and should be lodged in the Directorate of Patents, Department of Justice. The application was to be signed by the applicant. However, if the application were signed by an attorney-in-fact, it had to be accompanied by a power of attorney. Besides such procedures the application had to be accompanied by additional items, inter-alia, three copies of a description of which a patent was applied; the description could be either in the Indonesian language or in a foreign language provided it was accompanied by an Indonesian translation. Subsequently such description was to include the name of the new invention or process together with a discussion of its type and purpose and why it was considered new. It was necessary to contain a short description of the way in which the invention or process was to be used, in language that could be understood clearly by an expert.

In the case where the invention had been patented abroad, or if an application for a foreign patent was pending, evidence of such foreign patent or pending foreign patent application was to be provided."

Importantly, although there was no limitation in this Announcement it was compulsory for changes in the registrant's name or address to be recorded at the Directorate of Patents to preserve the registration.(7)

1.2 Development of Intellectual Property in Indonesia

In 1961, Indonesia promulgated its first law on Trademarks.(8) However, this Act does, in fact, bear resemblance to the Dutch Trademark Act which prevailed in the colonial era.(9) One comment was that this type of law was a "carbon copy law" which meant it only represented a legal importation and contained no relation to local social reality.(10) Moreover, due to lack of political stability during the 1960's which culminated in the abortive coup of the Communist Party in 1965(11), Indonesia had not been able to rebuild the legal infrastructure. Subsequently, after the "New Order" Government commenced, efforts was concentrated on the economy, one means of developing which was through foreign investment(12) by the enactment of Foreign Investment Law number 1 of 1967. The enactment of such a law, overall, was of a great benefit to the Indonesian economy(13).

Article 2 of the Foreign Capital Investment Law of 1967, reads as follows:

- (a) foreign exchange which is not part of the Indonesian foreign exchange and is used for financing a business in Indonesia, upon the agreement of the Indonesia Government;
- (b) a foreign company's equipment, including new inventions (added) and materials brought into Indonesia not financed out of Indonesian foreign exchange; and
- (c) part of foreign corporate profit which is permitted to be transferred but is reinvested in Indonesia;

Implicit is a method for "transfer of technology" or the "import of technology".

Thus although Patent Law had not yet been enacted, the need for such legislation was clearly recognised long before. (14)

More than a decade later, in 1982, a new Copyright Law was enacted. (15) However, under this Law, works of foreigners which were not published for the first time in Indonesia did not enjoy copyright protection. (16)

Having regard to the inadequate protection of intellectual property, the International Property Right Alliance (the Alliance) (17) of the United States lodged a protest with the Indonesian Government, and threatened to reconsider the eligibility of Indonesia for the Generalised System of Preferences (GSP). (18)

In a positive response to international pressure (19) (from the request of the United States Government), the

Indonesian Government, through Presidential Decree number 34 of July 30, 1986, established a special "working team" for the resolution of problems arising from inadequate protection of intellectual property rights such as those involved in copyright, company brands, trademarks and to draw up a patent law. This Team, also known as "TIM KEPPRES 34" (20), gained a reputation for efficiency through its ability to complete the draft Amendment to Copyright law within 1 year (in 1987) and finishing the draft of Patent law in 1989. (21) Another achievement of the aforementioned Team was the preparation of a new Trademark Law which was expected to be enacted by October 1, 1992. (22) This then forthcoming Law would fulfil the requirements of International practices. Likewise, the Industrial Design Law was also being prepared by this Team. (23)

According to the Government, such moves indicated Indonesia's willingness to be in line with the international community by providing, at least, quite similar levels of regulatory protection. (24) However, there was speculation that the sudden move was caused by the United States trade sanctions against Thailand for failing to act promptly enough to improve Intellectual Property protection. In other words, Indonesia was avoiding similar sanctions. (25) Nevertheless, the response in enacting the Patent Law was concomitant with its obligation as a signatory to the Paris Convention. (26)

At the time the Patent Act was being prepared, the Indonesian economy and industry were rapidly gaining strength. In its effort to provide a favourable climate for foreign investors to invest in Indonesia, the Government was requested by foreign investors to provide an adequate legal system which would at least acknowledge the proprietary right of their technology. (27) Indonesia was also interested in encouraging indigenous invention by importing technology from overseas. This could only be achieved by providing protection for the proprietary rights of foreigners through patent law.

On the other hand, the prevailing Indonesian philosophy, which deemed individual right as something that should be considered in relation to their position as part of a family or wider community, has led the government to arrange notable exceptions and emphasise particular interests throughout Indonesian Patent Law. Another factor influencing the development of Indonesian Patent Law was the absence of regulations concerning technology transfer and restrictive business practices. Thus, in the absence of such regulation, the Indonesian Government protects the local manufacturers' interests by providing provisions in the Patent Law which assured similar effects, as contained in Articles 78 and 88.

The significant provisions below which reflect national interests will be further discussed in chapter five. The Articles which possibly would not correspond to any

provision in developed countries, particularly Australia, are as follows;

Article 8, in essence, stipulates that the granting of a patent right for an invention may temporarily be postponed for five years. The decision of postponement does not provide the inventor any right to appeal. This Article reflects the balance of individual rights against public interests and the commitment to a national development program. (28)

Another important exception is also contained in Article 21. Where, broadly speaking, the importation of certain products by non-patent holder, as will be seen, is not considered to be an infringement of the patent. The rationale for this Article is that products of the pharmaceutical industry have given significant support to public health. The lowest possible price for such products could only be achieved if the raw materials - which could only be obtained from importation - are available. Facing the situation of it, the Indonesian Government has taken certain approaches toward importation, one of them is by limiting the products that can be imported. Therefore, the Indonesian Patent Law was the end-product of the reconciliation between the above philosophical reasons and interests.

1.3 Justification for Adopting Patents System

In one of their papers (29) Fritz Machlup and Edith Penrose characterised a number of theories which advocate patent protection, namely "natural law" theory, "reward-by-monopoly" theory, "monopoly-profit-incentive" theory and "exchange-for-secrets" theory. (30) The "natural law" theory, deems that a person who invents something will have a right to the invention as his property. In other words, this kind of theory recognises inventiveness as a property. Therefore any taking of this property from the owner would amount to violation of other's rights. The enforcement of exclusivity on the use of a patented inventions reflected the society's recognition of this theory. (31)

Unlike the first theory which emphasises the right of an inventor, the second theory gives the inventor a reward for his contribution to society. When needed, society should intervene in order to secure that reward. The appropriate way of securing it is by giving a limited time of monopoly which is hoped to be adequately sufficient for the inventor to recoup expenses. (32)

The third theory tends to give the inventor incentive to invent. So, giving the inventor an exclusive temporary monopoly right and eliminating competition might lead to the situation where either a research program is encouraged or the exploitation of an invention is

maximised. (33)

The last theory is based on the consideration that an exchange of secrets, as a contract, is concluded between an inventor and the community. It is intended that the inventor discloses his secret knowledge in exchange for an open monopoly, where without the patent protection the disclosure of secret knowledge to become publicly available would either not take place at all or only very much later. (34)

However, these theories have been subjected to considerable intellectual criticism which basically arose from economic consideration. (35) The most publicised Australian criticism on the establishment of the patent system is probably the one made by Mandeville et al. in their report on the "Economic Effect of the Australian Patent System". (36) This report was commissioned by the Industrial Property Advisory Committee in order to advise the Australian Government on industrial laws and practices. The report concludes that, overall, there was no doubt that "the benefit/cost of the patent system in Australia is negative or at very best in balance". (37)

However, the report indicated that the patent law should continue (38), provided there is a reduction of the negative effect of patent system, which means stricter test, shorter lengths of term, narrower scope of patent monopoly and action to deal with undesirable restrictive

practices in patent licensing. (39)

Ultimately, after considering the economic point of view, detailed research papers on the legal aspects of reform, and consulting with various industries, the Industrial Property Advisory Committee report on Patents, Innovation and Competition in Australia (40) was completed and it recommended a wide range of practical measures that aimed to make patent more effectively stimulate Australian long-term development in economics and technology (looking to a more technologically progressive and export oriented future). This is the first major review of the Australian Patent system from a predominantly economic perspective. The Committee stated that the policy approach to review and change should be to seek to optimise the net benefit arising for the operation of the patent system in the national interest, to the extent possible consistent with international connection, having regard to the particular of the Australian economy. (41)

1.4 Early Origins of the Patent System

As in most areas in Australian law, the patent law of Australia is derived from the law of England. This was normal as the majority of the colonies used to adopt laws that resembled those found in their mother country.

The grant of monopoly was initiated in Europe, after the fifteenth century as there was a decline in technology and

industry, and monarchs exercised their of granting monopoly rights. (42) In 1331, for example, King Edward III gave a monopoly to a Fleming named John Kempe for certain sorts of weaving, on the condition that he would work his trade in England and instruct English craftsmen how to carry on his trade. (43) However, this right is different from the exclusive right adopted in existing patent systems. Rather, it was a royal license or dispensation to avoid guild restriction.

The kind of rights granted is embodied in Letters of Patent (the official documents conferring the right or privilege were called letters patent). (44)

The granting of monopoly developed further, from providing dispensation for traders only, to the granting of protection for inventions in the industrial field, regardless whether or not the invention had existed in that area. (45)

The Venetian Act of 1474 carried the basic features existing in the modern Patents Acts, where, inter-alia, utility to society, the encouragement of inventive activity, the refund of costs incurred by the inventor, and the inventor's rights to the fruits of his mind were build. (46) In this instance, the monopoly was granted for a ten-year period.

Furthermore, giving monopoly in respect of invention became common during the Reign of Mary. At the same time, the abuse of monopoly also commenced since all rights were not selectively granted, particularly during the Tudor period.

This situation invited a controversial decision on the part of the Queen when, in 1601, she revoked certain objectionable monopoly rights and empowered the common law courts to assess others.

In common law, the validity of monopoly was first challenged in 1602 in a dispute between Darcy v. Allin (47), which later became known as the "Case of Monopolies". In this case, Edward Darcy was granted a twelve-year monopoly for manufacturing playing cards in 1598. During the protection period he brought an action against Thomas Allin in the court of Queen's Bench for infringement. It was conceded that (48):

"...where any man by his own charge and industry or by his own wit or invention, doth bring any new trade into the realm, or any engine tending to the furtherance of a trade, that never was used before, -and that for the good of the realm, -that in such cases the king may grant to him monopoly patent for some reasonable time, until the subjects may learn the same, in consideration of the good that the doth bring by his invention to the Commonwealth; otherwise not"

Essentially, the grant of patent should be based on new invention. Thus, by virtue of merely importing and manufacturing, and tendency to restrain trade and increase

price, Darcy's rights was invalid.

This decision did not however, end the abuse of monopoly, since James I continued granting monopolies. He faced challenge from the courts for his continued granting of the objectionable monopolies. This eventually, invited moves to abolish monopoly except for new inventions for a limited time subject to public interest, and this formed the basis of the Statute of Monopolies which were passed in 1623. (49)

This Statute, particularly under Section 6 stipulated:

VI. Provided also, and be it declared and enacted, that any declaration before mentioned shall not extend to any letters-patent and grants of privilege, for the term of fourteen years or under, hereafter to be made of the sole working or making of any manner of new manufacture within this realm, to the true and first inventor and inventors of such manufactures, which others, at the time of making such letters-patent or grant, shall not use, so as also they be not contrary to the law, nor mischievous to the state, by raising prices of commodities at home, or hurt of trade, or generally inconvenient; the said fourteen years to be accounted from the date of the first letters-patent or grant of such privilege, hereafter to be made, but that the same shall be of such force as they should be, if this act had never been made and of none other.

It can be said that monopoly could be granted provided the patent is "any manner of new manufacture within realm", and sets out who is eligible for a patent which in this instance is "the true and first inventor and investors of such manufactures"; this Section also defines the length of a patent term for "fourteen years to be accounted from

the date of the first letters-patent or grant of such privileges hereafter to be made", this implicitly attempts to safeguard the public interest against the abuse of patent rights by providing that such patents "shall not use, so also they be not contrary to the law, not mischievous to the state, by raising prices of commodities at home, or hurt of trade or generally inconvenient".(50) It should be noted that the term "inventor" in this Section 6 is also to include a person who imported an invention from abroad.(51)

1.5 Evolution of Patent System

When the Industrial Revolution took place during the seventeenth century, the policy for granting patents was changed from only emphasising that the patent would be taught to local manufacturer, to ensuring that the right was not too wide. This affected the introduction of function of specification as a technical document describing the work of the invention and the area to be protected. It also led to ideas on the patent system which were adopted by judges during those periods, where the specification containing the secret of an invention beneficial to the public could only be used by the public after the protection term had expired. In other words, an inventor needed to prepare his specification properly for it to function.(52) In Attorney-General (Cth) v. Adelaide Steamship Co. (53), Lord Parker stated:

"The right of the Crown to grant monopolies is now regulated by the Statute of Monopolies, but it was always strictly limited at common law. A monopoly being a derogation from the common right of freedom of trade could not be granted without consideration moving to the public, just as a toll, being a derogation from the public right of passage, could not be granted without the like consideration. In the case of new inventions the consideration was found either in the interest of the public to encourage inventive ingenuity or more probably in the disclosure made to the public of a new and useful article or process."

It is clear that the "consideration" will emphasise the balance of public benefit against the inventor's needs. Another function of a specification is to protect the inventor against infringers. Therefore, to file a specification became essential in practice, while failure to lodge one would otherwise invalidate the right to be granted a Patent.

1.6 The Development of Australian Legislation

The starting point of the Australian Patent Acts⁽⁵⁴⁾ was based on the "1883" United Kingdom Act. In 1903, following the formation of the Commonwealth of Australia, the first Commonwealth Patent Act was passed.⁽⁵⁵⁾ This Act was parallel with the evolution of the system in the United Kingdom.

Even after several decades, the Australian Patent Act of "1952" still resembles the United Kingdom Act of "1949".

During the period of its existence, there was a series amendment to the Act. The most important amendments were embodied in the Amending Act passed in 1979. (56) The Patent Amendment Act of 1979, like the 1977 United Kingdom Patent Act, contributed towards establishing the petty patent system in order to protect inventions which did not meet the requirements of the standard patent. A petty patent can be quickly and inexpensively obtained for those small articles or simple inventions, on a more immediate basis and for a short term. Such inventions are commonly made by individual or small enterprises. (57)

Another significant revision during this period was the Patent Amendment of Patent Cooperation Treaty ("PCT"). (58) One of the advantages of acceding to PCT as far as Australia is concerned (59) was the creation of more favourable conditions for Australian inventors or applicants to seek patent protection overseas. The PCT provides for the filing of an international application, where patent protection is desired for an invention in several member states of the Treaty. Such an application will have the same effect as filing separately through each national patent system with the advantage of simplifying the formalities and possibly costs. Furthermore, another benefit which accrues from this international application is accelerated access by the Australian industry and public to international technological information in the patent documentation by early publication with an abstract of international search

report.(60) Of course, the converse is true, when the outside would get easier access to Australia. Besides the said considerations, the PCT members have other advantages such as efficiency and less cost.

After further development, Australia diverged from the United Kingdom on several issues, particularly as a result of the enactment of the United Kingdom Patent Act of "1977", by adjusting its patent system to European Community standards. For example, the United Kingdom Act provides a standard term of 20 years to protect standard patent, while in Australia, only inventions related to pharmaceuticals will be protected for 20 years which means a 16 year standard term and a 4 year extension.(61)

Australian national interests are ultimately reflected in the "1990" Patent Act.(62) Notable points changed in this Act included the adoption of "plain language", such as exclusive right of the patentee to "exploit" replaced the word "make, use, exercise and vend". This is purported to avoid unnecessary complexity. Thus, terms used in the new Act can be easily understood by the public.(63) A number of policy changes were also introduced, such as the test of novelty requirements (for standard patents) against prior disclosure in document anywhere in the world, bringing Australia in line with requirements of most trading partners (including Indonesia).(64) Other notable changes were the introduction of principle of contributory infringement; the introduction of defence to infringement

of honest prior users; petty patent can have one main claim and up to two dependent claims, the narrower scope of application for extension of the term of Patent and procedures for extension. (65)

NOTES 1

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 - American Film marketing Association (AFMA),
 - The Association of American Publishers (AAP),
 - Computer and Business Equipment Manufactures Association (CBEMA),
 - Motion Picture Association of America (MPAA),
 - National Music Publisher' Association (NMPA),
 - Recording Industry Association of America (RIAA).
18. Nio, Threes, "Pertentangan Republik Indonesia-Amerika Serikat soal Hak Milik Intelektual (Conflict

between the Republic of Indonesia-the United States of America on Intellectual Property Right), Kompas, 12th February 1987, pp.4-5.

19. Ibid.
20. Presidential Decree number 34/1986 of July 30, 1986, at Warta Cafi 203, 4th September 1986.
21. Gielen, Charles, supra note 16, p.103.
22. IP Asia , 24th October 1991, p.25.
23. Kansil, Nico, "Garis-garis Besar Intelektual Properti serta Kebijakan Pemerintah di Bidang Intelektual Properti" (Guidelines and Government Policies on Intellectual Property), paper given in the public information and awareness seminar in the area of trademark law and practices, Cinere, Jakarta, 12-14 March 1990, p.11.
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26. Presidential Decree number 34 of 1979; see also Kansil, Nico, supra note 23, p.2. Since December 24, 1950 Indonesia is also a signatory to the Hague Agreement concerning deposit of Industrial Design and also to the World Intellectual Property Organisation (WIPO).
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- McKeough, J. and Blakeney, M., 1992, pp.416-419.
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 32. Ricketson, S., *supra* note 30, p.869.
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 39. *Ibid*, pp.9-53.
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 43. Patent Office Notes on the History of the British and Australian Patent Acts and the Law relating to letters Patent of Inventions in Australia, 5th Ed., 1974, p.5.
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47. (1602) Moore KB 671, 74 ER 1131.
48. Ricketson, S., *supra* note 30, p.862.
49. *Ibid.*
50. McKeough, J. and Stewart, A., 1991, p.202.
51. *Ibid.*
52. Liardet v. Johnson (1778) 1 WP 53, 1 Carp. Pat. Cas.
53. (1913) AC 781 at 793.
54. For detail see Hack, B., "A History of the Patent Profession in Colonial Australia", paper presented at Annual Conference of the Institute of Patent Attorney of Australia, Brisbane, 29-31 March 1984, P.9 .
55. Prior to the formation, each Colony had their own Patent Act. The Patents Act, Commonwealth Statutes Australia no.21 of 1903. Under Section 51 (XVIII) of the Constitution, the Commonwealth has the power to make laws with respect to patents of inventions.
56. Patent Amendment Act 1979 (Cth).
57. Design Law Review Committee, report relating to Utility Models, 1973, p.9; see also discussion in chapter 2.
58. For more details on Patent Cooperation Treaty, see generally Pfanner, K., "The Patent Cooperation

Treaty: an introduction", European Intellectual Property Review, 1979, p.98.

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62. Australian Act no.83 of 1990 took into force in 30th April 1991.
63. For major changes incorporated in 1990, see Jones, B., Hansard, 1st June 1989, p.3479 (second reading for the 1989 Bill).
64. See discussion in chapter 3.
65. Jones, B., Hansard, 1988, p.3255 (Parliamentary debates).

CHAPTER 2

SUBJECT MATTER OF PATENTS

2.1. Types of Inventions under Indonesian and Australian Patent Law

Indonesian Patent Law does not provide a comprehensive set of statutory provisions governing all activities which western countries, like Australia, might consider necessary for regulation. However, many of its provisions appear to correspond to the Australian Patent legislation, as both countries are signatories to the Paris Convention. (1) Terminology used in the respective statutory provisions might be different, but the types of rights granted are the same. At the same time, there are also dissimilarities in certain Articles adopted by both countries, as these have been dictated by different national interests. (2)

Following the practice in many other countries, both Indonesia and Australia distinguish two types of patent to be granted for inventions. In essence, the "standard patent" has a more complex standard of requirements than the "simple patent". Consequently, the former offered longer periods than the latter. The position of the Indonesian standard patent approximates that of the Australian standard patent; the "simple patent" is similar to "petty patent" under Australian Law.

2.2 Position of Invention in Standard Patent

Article 1(2) of the Indonesian Patent Law defines "invention" as "any solution of a certain technological problem which may take form in a process or a product or the improvement and development thereof". Moreover, the "invention" should also be capable of industrial application, by which "invention" , will refer to a standard patent.(3) This definition appears simple but needs to be interpreted in conjunction with Article 7 of the Indonesian Patent Law which expressly excludes the granting of patent rights to specific classes of subject matter, which will be considered later.

In Australia, the definition of "invention" in the "1990" Patent Act is not simple, either in its wording or its interpretation by the court. In essence, to be patentable, a subject matter must be a "manner of new manufacture" within the meaning of that expression in Section 6 of the Statute of Monopolies "1623" as interpreted by courts.(4) This concept, which is central to the Australian Patent Act, has been developed by the courts over decades through case law. The opening case for this matter was subject to British decision in Re. GEC's Application.(5) In this case, Justice Morton decided that a process or method could be patentable if: a process resulted in the production of, or it improved/restored, or had the effect of preserving from deterioration, a vendible product.(6) The principle enunciated in this case became known as

"Morton Rules", and also as the "vendible product test". In essence, this test expressed the intention to develop a guide to interpretation .

In Australia, the most authoritative interpretation of the meaning of the term "manner of new manufacture" was discussed at length in the High Court decision in National Research Development Corporation v. The Commissioner of Patents. (7) This case concerned an invention for the use of herbicide in eradicating weeds from a growing crop. The High Court made clear the definition of the term "manner of new manufacture" to a process by which a vendible product is produced. It is as follows: "It is a mistake which tends to limit one's thinking by reference to the idea of making tangible by hand or machine, because "manufacture" as word of everyday speech generally conveys that idea". The right question is: "Is this a proper subject of letters patent according to the principles which have been developed for the application of S.6 of the Statute of Monopolies? (8)

In addition, focusing on the Statute of Monopolies, the High Court was more concerned with the public policy grounds of economic usefulness of the invention process, rather than whether or not there are goods produced as a result of the inventive process. The significance is whether the advantage such as "the economic benefit of an invention which is not mischievous to the state" and "the granting of monopoly which in fact encourage

innovation" (9) will outbalance the disadvantage that might be suffered by the public such as "non commercial product or process" and merely a "fine art".

Finally, the High Court agreed to support the use of an invention in the field of economic endeavour, particularly in this case when the effect produced by the appellant in the patent in question had, as its end result, an important improvement in the condition in which the crop was going to grow. (10)

The principles enunciated in the NRDC Case have been applied in many subsequent cases. (11)

2.3. Position of Invention in Simple Patent

The term of "simple Patent" as defined in Article 6 of Indonesian Patent Law is different from "standard patent" as previously mentioned, particularly in the following respects:

- (a) The "simple patent" requires an invention to be a form (feature) of new thing, with regard to configuration construction or composition (Article 6), conversely no such limitations are required for a "standard patent".
- (b) The "simple patent" can only be acquired for a "product" (Article 6), whereas a "standard patent" should be regarded as a "process, product or

improvement thereof".

- (c) The subject matter of a "simple patent" ("product") does not need to reach the quality of an invention (Article 6); while more rigorous requirement is imposed to "standard patent".
- (d) The subject matter of a "simple patent" must be "fit for practical use" (Article 6), whereas the definition of "standard patent" contains no such limiting requirement.
- (e) There is no appeal from a decision on the rejection of an application for a "simple patent" (Article 111(3)), while it is permitted in respect of "standard patent".
- (f) The duration of a "simple patent" (5 years) cannot be extended (Article 112(1)), whereas the "standard patent" (14 years) may have an extension for two years.
- (g) No compulsory licence may be requested based on "simple patent" (Article 112(2)), conversely this exist for "standard patent".
- (h) "Simple patent" are granted for only one claim (Article 110), while no such limitation imposed for "standard patent".

The concept of "simple patent" as mentioned under Article 6 is further defined in the Implementing Regulation, which stipulates conditions for meeting the "basic requirements" namely novelty, inventiveness and industrial applicability. (12) Therefore, to interpret the phrase

"does not need to reach the quality of an invention", means that the technical requirements for the simple patent are not as stringent as those for a standard patent. (13)

The term "configuration" in the Indonesian simple patent as mentioned in Point (a) above seems to overlap with the Indonesian Design Bill (14), but as the scope of protections given under those regimes are different, this will distinguish the meaning of configuration. Under the Bill, "design" means "any creation of shape, configuration or pattern of a product which creates an aesthetic feeling on goods which could be produced independently by an individual or an entity".

The corresponding provision under the Australian Designs Act "1906" is found in its Section 4 which defines:

".... features of shape, configuration, pattern or ornamentation applicable to an article, being features that, in the finished article, can be judged by the eye, but does not include a method or principle of construction".

The basic principle of protection under the Design Law is that the scope of monopoly will relate to the appearance of the designs as applied to an article, not to the article itself. It is of importance to note that the Australian definition expressly prohibits a method or principle of construction to be protected under Design Law, in which case the proper field of protection would be

patent law. (15)

By way of protecting the feature of configuration, construction and composition, the Indonesian simple patent makes a significant distinction from the definition in the Design Law Bill. Therefore, it is fair to assume that the Indonesian simple patent is similar in character to the Australian petty patent rather than to the Australian Design Law, although the requirements of Indonesian legislation concerning the simple patent are in a lower level of patentability than its Australian counter-part.

The position under the Australian Patent Law shows that there is no distinction drawn between the subject matter of a standard patent and that of a petty patent under the "1990" Patent Act, with the practical exception that a petty patent is limited to only a single claim or a single independent claim, and not more than two dependent claims (Section 40(2)(c)); and the duration for a petty patent (6 Years) is shorter than for the standard patent (16 years) (Sections 67-68). With regards to the procedure for obtaining protection, the examination for the petty patent is automatic and rapid, without incurring extra fees, while the examination for the standard patents can be lengthy and requires extra fees. Moreover, the acceptance of a petty patent has no absolute deadlines, whereas in the standard patent, the deadline is 21 months from the first examination report. (16) It should also be noted that a patent of addition must be for a standard patent only,

and prior art base to assess novelty and inventiveness is different for standard and petty patents. (17) Therefore, the petty patent/simple patent is a narrower form of right than the standard patent.

2.4 Rationale for Two-tier System

The intention behind employing a two tier system, which creates different criteria of validity for standard and petty patents in Australia, is that the criteria for the validity of standard patents have been made more stringent to bring them to a closer approximation of international standards. (18)

With respect to a petty patent, the Australian Design Law Review Committee in its "Report Relating to Utility Model" recommended that a petty patent is designed to encourage the discovery of an invention which does not qualify for a standard patent, design or copyright, but actually has enough merit to be protected. (19) The effect is that Australian small enterprise will be encouraged to make more inventions for the grant of petty patent so as to promote the development of domestic industry. (20) On the other hand, bigger enterprises will be encouraged to obtain better or comparative patented technology so as to strengthen Australian position in the international trade and technology market. These policies as a whole are similar to Indonesia's purpose.

2.5 Subject Matter Which is Not Patentable

In principle, all "new technology" can be patented, however, national interest has dictated that some inventions might not be patentable. (21)

Article 7 of the Indonesian Patent Law excludes the granting of patent rights to any of the following:

- a. inventions for production process or products, the announcement, use or application or making of which are contradictory to the relevant existing Laws, public order or decency;
- b. inventions for food and drink production process and products, including products in the form of material made by a chemical process for the production of food and drinks for human and animal consumption;
- c. inventions of new types of varieties of plants or animals, or of any processes which can be used for the raising of plants or animals and their products;
- d. inventions of methods of examination, treatment, meditation and surgery applied to human being and animals, but not covering any products relating to such methods;
- e. inventions of theories and methods in science and mathematics.

Regarded as reflecting "government policy", this Article 7 prevents certain subject matters from being granted monopoly rights. This stipulation arose from Government consideration of the fact that at present, while technology development has not reached a certain level, it is counter-productive to protect all things and activities which will result in high prices for consumers. (22) This

practice is not unusual as it reflects WIPO's concern for the patent invention of developing countries. (23)

By contrast, the equivalent position in Australian provisions is expressed only under Section 18(2) of the "1990" Act, where the patenting of human beings and the biological process for their generation are not permissible. Beside that, the Commissioner may also refuse to accept specification or grant patents, if the use of an invention would be contrary to the law(24); or it claims a substance which is capable of being used as food or medicine (whether for human beings or animals and whether for internal or external use) and is a mere mixture of known ingredients; or where they are produced by a process of a mere admixture. (25)

Section 51(2) of the Australian "1990" Act provides that it is at the discretion of the Commissioner to refuse to accept a specification containing a claim including the name of a person as the name of the invention.

2.6 General Public Objection

General public policy which is taken by the Australian Patent Act under Section 55(1)(a) regarding the use of invention which would be contrary to law, is similar to Article 7(a) of the Indonesian Patent Law. Unfortunately, no further explanation assists in defining the phrases contained in this Article. In Australia, objection for

patenting such kind of inventions are usually based on the consideration that the main purpose of the invention in question, as described in the specification, is primarily for unlawful user(26), for example: bombs intended for surreptitious use in a manner contrary to national or international law.

2.7 Food and Drink for Human or Animal Consumption

The Indonesian reason for excluding an invention related to food and drinks for human and animal consumption from patentability is that the production of food and drinks was considered to be of crucial importance and also essential to daily activity regardless whether they are made by new substance or just mixture of known ingredients, so that by keeping its price as low as possible, a prosperous society could be established. Thus, giving monopoly rights for such inventions would be against public interests as affecting their livelihoods.(27) In Australia, as noted earlier, the Commissioner under Section 51(b) of the 1990 Act may refuse to accept an application and specification or to grant a patent on the ground that the specification claims as an invention a substance which is capable of being used as a food or medicine (whether for human beings or animals, whether for internal use) and is a mere mixture of known ingredients; or where they are produced by a process of a mere admixture. The term "capable of being used as a food" includes any mixture which may require

cooking or other preparation before it is edible. (28) Mixtures falling within this term which may embrace not only powders but also mixtures of liquids or gases and includes also suspensions and solutions. A "mere mixture of known ingredients" means an admixture exhibiting only the aggregate of the known properties of the known ingredients in which the property which makes the ingredients useful for the purpose of the invention must also be known. (29) However, if the result achieved by the invention in this subject is an unexpected and unpredictable from a mere mixture, the invention would be patentable. Thus, the limitation of Section 55(1)(b) of the "1990" Act does not apply to the grant of patents for foods or medicine as such. Its restriction is only where the food or medicine, claimed as an invention, is a mere mixture of known ingredients, in which case, the claim may be process claim for producing food or medicine by mere admixture.

Unlike Indonesia with its statutory restrictions, the Australian limitations upon the patentability for other subject matters have been generated largely by judicial interpretation. This will be considered below.

2.8 Animal and Plant Varieties

Article 7(c) of the Indonesian Patent Law which excluded certain "animal and plant varieties" from patent rights are for allowing national exploitation which is

fundamental for public interests. The term is further defined in the elucidation that "animal" is in the context of husbandry animal where "plant" is a cultivation plant. In addition, the elucidation indicates that other varieties like racing horses and cultivated orchids are patentable.(30) Having regard to the exclusion of husbandry animal from patentability under Indonesian Patent Law, Australia goes further than Indonesia or even than its major trading partners by permitting patentability of animals. This assumption is a departure from the narrow definition given under section 18(2) which only restricts patenting of human life.(31)

In Australia, in the view of the NRDC Case, the High Court seemed to hold, inter alia, that there was no general rule against the patentability of agricultural or horticultural processes as a class, and still it left some uncertainty as to the question of patentability of agricultural or horticultural processes such as methods of cultivation or husbandry directed to the production of new or improved types of plants or crops.(32) However, since the enactment of the Plant Variety Rights Act 1987 in 6th February 1987, all the uncertainty about protection of agricultural or horticultural itself is removed.

The scheme of the Act is to provide a system whereby plant breeders may apply for monopolies in respect of "new plant varieties" which are produced by human intervention.(33) The exclusive rights granted are to sell produce and

licence the plant variety. (34) Since March 1, 1990, the rights may be granted in respect of new plant varieties declared by the regulations to be of all genus or species to which the Act applies, but excludes algae, fungi and bacterial. (35)

No plant variety right is to be granted where a plant or reproductive material of a plant has been sold with the consent of the breeder or his successor, in Australia at any time before the making of the application, or in another country more than six years before the making of the application. (36)

The International Convention for the Protection of New Varieties of Plants (U.P.O.V), as revised at Geneva 1978 has acknowledged both protection for invention, either in patent or plant variety systems, if it was contemplated by domestic law at the time of the ratification. This arrangement has been practised in Australia and the United States. (37)

McKeough Pointed out that in respect to legal protection, beside cost and security considerations another advantage of the plant variety is that such an inappropriate scope of protection will not be covered in the patent system, it will be found in this system. (38)

Quite separate from the question of patent protection for new animal and plants varieties, is the issue of patent

protection for micro organism derived from biotechnology. (39)

2.9 Micro Organisms

The Indonesian Patent Law does not provide a definition for an invention with regard to micro-organism. However, Elucidation of Article 18 of the Implementing Regulation number 34 of 1991 Provides that "micro-organisms may be patentable if they do not belong to the kind of invention meant by Article 7 of the Indonesian Patent Law." Examples given in this regulation strongly suggest on micro-organisms which are useful such as micro organisms used to purify river water polluted by oil and other industrial waste. (40)

The mechanism for applying for a patent for micro organism is regulated under Article 18 of the Implementing Regulation which simply states that if the description of the invention relates to a micro-organism which could not be disclosed or made available to the public at the time of application, such description will still be deemed to fulfil the disclosure requirement if it completely and clearly discloses the manner in which the micro-organism is to be used. The fulfilments are in the following conditions:

- (a) A culture of the micro-organism has been deposited in a culture collection laboratory recognised by the

Patent Office as mentioned above, prior to the filing of the application or prior to the date on which the Patent Office issues the acceptance of the application.

- (b) The application sufficiently describes the characteristics of the micro-organism.
- (c) The name of the micro-organism, the date of deposit, the name of depository laboratory and the deposit number are included in its application.

Indonesia is a signatory to the Budapest Convention(41) and will recognise any listed depository institution under the 1980 Budapest Treaty on International Recognition of the Deposit of Micro-organisms.(42)

In Australia, the "1990" Patent Act also provides a system of depositing micro-organisms with a depository institution in accordance with the Budapest Treaty on International Recognition of the Deposit of Micro-organisms for the purpose of Patent Procedure in which the full text is added as Schedule 1 to the Patent Regulation.(43) The object, of course, will be similar to that specified by Indonesian Patent Law where such requirement is purported to provide a sample of micro-organism in an internationally approved deposit agency from which the micro organism will be available to the public at any time as required under Section 6 of the "1990" Act. Furthermore, the Australian Patent Act indicates that an applicant for a patent involving a

micro-organism, where the organism itself is the invention, can thereby satisfy the specification under Section 40(2)(a) and Section 41(1) of "1990" Act if complying with the suggestion made in the "deposit requirement". However, where the invention involves the use, modification or cultivation of micro organisms other than the micro organism itself and a culture of such a micro organism, is required to produce the invention, the deposit requirement must also be complied with, unless the micro-organism is reasonably available to the person skilled in the relevant art. (44)

As mentioned above, an invention involving the use of micro-organisms is patentable through the practice of producing the identified strain to be derived from some original source materials or by multiplying its material from the original source. (45) However, this needs caution, because if the claim merely consists of a new discovery, it will not be patentable, unless there is a specific industrial application which is described for the micro organism. (46)

In Rank Hovis McDougall Ltd's Application (47) the Assistant Commissioner of Patents held that certain specific variants of a new strain of micro-organism were not barred from patentability merely because they were living organisms. He stated:

"What contribution has he made? He has discovered a naturally occurring micro-organism and, by altering its conditions of growth, he has changed its

morphological characteristics. If that is all that he has done, he has made no useful contribution to the art. On the other hand, I think the situation is quite different if, in producing the variant by some man controlled microbiological process, he has produced a new micro-organism which has improved or altered useful properties. To suggest that a patent should not be granted for such an invention would in my opinion hardly accord with the views clearly expressed in [NRDC Case]. An objection that a claim to a new micro-organism, being something living is not a matter of manufacture is based... on too restricted a view of the meaning of manufacture in S.6 of the Statute of Monopolies." (48)

It is clear that both Indonesian and Australian Patent systems have developed a mechanism to deal with patent protection involving micro organisms, and either process using micro organism or the micro organism itself is legally protected. However, Ricketson pointed out that the issue relating to living organisms have not yet received judicial consideration. (49)

2.10 Methods of Treatment of the Human Being and Animal

Indonesian Patent Law clearly expresses the exclusion of methods of examination, nursing, medication and surgery, applies to human being and animal (excluding products). This policy adopts the view that such method or treatment is essential for community health and should therefore benefit the public and not the individual through monopoly rights. (50)

A similar opinion exists under Australian law, where

methods of surgery and processes for treating the human body have generally been regarded as unpatentable. For example, the High Court in Maeder v. Buschr (51) doubted that a method of treating human hair could be regarded as a "manner of manufacture". In the NRDC Case (52) , the High Court recognised that methods of treating the human body were unpatentable. It stated that:

"The exclusion of methods of surgery and other processes may well lie outside the concept of invention because the whole subject is considered as essentially non-economic: see Maeder v. Busch". (53)

However, the rationale for the exclusion of treatment of the human body from patentability is not entirely obvious. For example, in Joos v. The Commissioner of Patents (54), the High Court held that a process for improving the strength of, inter-alia, hair and nails could be patented. Barwick CJ made a distinction in his judgment between a process for treating diseases of the body and a process for improving the cosmetic appearance of the body. He considered that treatment comprising the application to the body of a substance or process for the purpose of arresting or curing a disease or disease or disability, was the kind of treatment properly denied patent protection. (55)

It is too early without sufficient experience, to predict that definition under Article 7(d) of the Indonesian Patent Law will develop to the extent of allowing distinction between a process for improving the cosmetic appearance of the body, and a process for treating

disease. However, according to express intention of the Act, exclusion for methods of medical treatment from the list of not-patentable inventions suggests that pharmaceuticals will be patentable.

In Australia, of course, there is no exclusion for pharmaceutical substances and this is the only subject matter which can be extended for 4 years. However, patentability for method "medical" treatment presumably still existed by virtue of such treatment being "generally inconvenient" within the meaning of Section 6 of the Statute of Monopoly. (56)

2.11 Theories and Methods in Science and Mathematics

The Indonesian exclusion from patentability of science and mathematics operations by Article 7(e) also reflects a similar position under the Australian Law. This decision complies with international practices. Under the Australian term, this exclusion have been caused as it is not generally convenient within the concept of "manner of new manufacture". The decision on mathematical operations or processes of solving mathematical problems are bound in Lips' Application(57), which was dismissed by the Commission. The reason given was, in principal, that the subject matter of the claim was only a mental process, which was regarded being inconsistent with the concept of "manner of new manufacture" as meant in the Act. Such issues are further complicated when the intellectual

activity involved is seen to have a useful economic application, as in the Texas Instrument Inc's Application.

It worded:

"a process, to be patentable must belong to a useful art, as distinct from a fine art. "Fine" and "useful" have not been defined, but a process of mathematical operations performed on a set of curves representing mathematical functions appears to me to lie in the realm of fine arts, in the sense that intellectual rather than industrial activity is involved, and that seems to be the case regardless of whether the operations are carried out mentally, or with the aid of a slide rule or with any other type of computational assistance." (58)

The conclusion given by the Hearing Officer refused to classify a method of processing seismic information ("a method of making more sense out of a set of curves by the use of a mathematical operation") as a subject for letter patent. (59)

2.12 Computer Programs

The Indonesian Patent Law does not specifically exclude computer software. However, the Indonesian Law on Copyright has expressly stipulated that computer programs are fundamentally protected under this law. (60) Therefore, applications for computer software under the Indonesian Patent Law might be refused with reference to the aforementioned heading. Furthermore, when the computer software is integrally related to the operation of computer hardware for which a patent application is made, it could, as a matter of practice, be indirectly protected

with the hardware under the Indonesian Patent Law. (61)

In Australia, the present position is that no authoritative case law exists on the patentability of computer software related inventions. Computer software is now given copyright protection as a literary work under the Copyright Amendment Act 1984 (Cth). (62)

The rationale for the Australian Patent Office in denying a patent, appears to be that programs are merely something which consist of a sequence of instructions for performing intellectual exercises and involving application programming techniques to solve a particular problem; where such techniques are commonly categorised as the common professional expertise for those who work in the field. This will lead to lack of novelty and inventive step problems (63), accordingly computer programs are not generally accepted in the avenue of patent protection.

It is of interest to note that there was a proposal published in 1986 by the Australian Patent Office in "Guidelines for Considering the Patentability of Computer Related Inventions". This paper suggested that the Australian Patent Office should take into account the case law developed in the United States.

The three most authoritative decisions of the United States Supreme Court in this connection are Freeman (64), Walter (65) and Diehr (66) . In decisions made in these

cases, the patentability of computer related inventions are examined for their capacity to satisfy the two stages as follows: (67)

- (i) "Does the claim include subject matter which itself is inherently unpatentable?"
- (ii) If so, what is the relationship between that subject and the claim as a whole?

In Diamond v. Diehr (68) , where the majority of the judges reflect a whole contents approach, it was held that a whole structure or process performing a function is to be patentable though there was a mathematical formula implemented in the structure. Approval of definition of the "mathematical algorithm" was also given in this case. It is defined as a "procedure for solving a given type of mathematical problem". With observation on the development of cases in the United States, the Australian guidelines recommended that the first test, as mentioned above, is desired to be adopted in Australia, together with the definition of "mathematical algorithm". (69) Furthermore, the second test suggest to stress on the claim specification i.e. when mathematical algorithm recited in the claim, is considered as a whole, and defines an object for patent protection, this claim should be acceptable. In other words, the second test above will be determined on a case-by-case basis.

The application of the above test will not be easy in circumstances of particular cases since the dividing line

between patentable and not patentable is very fine.

Moreover, in other areas such as Europe, a practice similar to that of the United States is currently in existence.(70) A patent may be granted for software if the invention as a whole makes technical contribution to the art. Similarly, where the subject matter claimed is related to the internal workings of a known computer, a technical effect must be identified for there to be a patentable invention.(71) There are some difficulties related to the protection of computer software under patent law. One of which, is lack of prior art might be found, in the sense that the issuance of patent does not meet the standard of originality and non-obviousness.

If the trend in the United States of protecting computer software is followed by Australian courts, it is highly likely that the interaction between copyright and patent law which simultaneously protect one object will invite great confusion. Where the copyright protects a "writing" and stressing on "expression", by contrast, patent focuses on the invention in a machine or process.(72) Moreover, the longer term of protection contained in copyright might defeat one of the fundamental basic of patent law which means the limited term of protection in return for complete disclosure of the invention. McKeough comments that the more likely solution is to protect computer programs through copyright law, but this provides a continuing challenge to the dynamic growth and development

of innovation. (73) However, in the view of NRDC case which emphasises the economic advantage of an invention to the public, it is arguable that when a software apparent benefit to outweighs the disadvantage that the public may suffer, the software merits to be patent protected. Nevertheless, since no success case has been decided in Australia for guidance, the extent of software patentability remains open, but it appears to be limited. (74)

The current Australian Patent Office practices tend to employ the "Freeman" test mentioned earlier. This is exemplified in the International Business Machines Corporation. (75) In this case, application was made for a patent for an invention relating to a "method and apparatus for generating curves on a computer graphics display". The use of "freeman test" invalidated the patentability since the claim which contained mathematical algorithms, was too broad as it included "any and all arts" and being not limited to a particular industrial environment.

It is of importance to know that with consideration to the peculiar nature of software, the United States Patent Office has accepted the deposit of software as commonly practiced in micro-organisms, in order to satisfy the full disclosure requirement rather than the requirement for documenting disclosure. (76)

A number of the exclusions from patent protection in Article 7 of the Indonesian Patent Law have their parallels in the Australian Patent Act. The Indonesian Patent Law through its provisions expressly excludes certain categories of subject matter, whereas Australia relies upon judicial interpretation through case law. There are considerable benefits in having a specific list of exclusions such as contained in Article 7, rather than the clumsy method of leaving to judicial interpretation, as our Australian counterpart does, at least when no case law has been decided yet. The Indonesian exclusion is not peculiar, a similar vein is also found in the United Kingdom Patents Act 1977, although not identical. (77)

It is arguable therefore, whether the exclusion under Section 18(2) and leaving open all the remains to judicial interpretation within the concept of manner of new manufacture, demonstrates the "flexibility" of Australian Common Law while the United Kingdom provisions, as the source of the Australian Patent system, retains flexible by providing a comprehensive list.

NOTES 2

1. Paris Convention (the Paris Convention for the Protection of Industrial Property) provides minimal international standard for protection industrial property in which such requirement is to be followed by the Convention members; see Catanese, A., "Paris Convention, Patent Protection and Technology Transfer", Boston University International Law Journal, v.3, p.209.
2. This matter will be discussed later in each chapter.
3. Article 5 of the Indonesian Patent Law.
4. Section 18(1)(a) of the Australian Patent Act and the definition of "invention" in Schedule 1.
5. (1942) 60 RPC 1.
6. Ibid, at 4.
7. (1959) 102 CLR 252.
8. c/f McKeough, J. and Blakeney, M., 1992, p.308.
9. c/f Ibid, p.313.
10. McKeough, J. and Stewart, A., 1991, p.220.
11. See for example, Joos v. Commissioner of Patents, (1972) 46 ALJR 438; Swift & Co's Application (1960) NZLR 775.
12. Article 3 of Decree of Minister of Justice of the Republic of Indonesia, no. 14-01HC 2.10 of July 31, 1991.
13. World Intellectual Property Organisation, Background Reading Material on Intellectual Property, 1988, p.110.
14. Abdullah, Adang, "Design Produk Industri dan Perlindungannya" (Product Design and Its Protections), a paper given in seminar for Justices

- Cinere, Jakarta January 1991, p.13.
15. Terry, John, 1991, para.46-090, p.22,303.
 16. Sections 46 and 50 of the Australian "1990" Patent Act.
 17. Terry, John, supra note 15, paras.45-200 - 45-260, pp.22,043 - 22,044.
 18. Industrial Property Advisory Committee, Patent Innovation and Competition in Australia, a report, 1989, p.42.
 19. Design Law Review Committee Report Relating to Utility Models, 1973, p.9.
 20. Ibid.
 21. Dirham, Slamet, "Undang-undang Paten dan Peraturan Pelaksanaannya (Patent law and the Implementation Regulation thereof)", paper presented in seminar for Judges, Cinere, Jakarta, 21-31 January 1991, p.12.
 22. Kesowo, Bambang, "Undang-undang Paten: Latar belakang dan prinsip-prinsip pokok (Patent Law: Background and Basic Principles)", a paper given in seminar, Jakarta, 24-26 July 1990, p.17.
 23. WIPO, Model Law for Developing Countries on Inventions v.1, Patents, 1979, p.58.
 24. Section 51(1)(a) of the Australian Patent Act.
 25. Section 51(1)(b)(i)(ii) of the Australian Patent Act.
 26. Ricketson, S., 1984, p.915.
 27. Elucidation of Article 7 of the Indonesian Patent Law.
 28. Patent Examiner Manual, December 1988, para.155-5.
 29. General Food Application (1971) 41 AOJP 2624, see

also Patent Office Examiner Manual, December 1988, paras. 155.7-155.12.

30. Kesowo, Bambang, supra note 22, p.18.
31. See debate concerning patentability of this matter, see McKeough, J. and Stewart, A., supra note 10, p.264. See also Irvine, Sue, "The Patentability of Transgenic Animals - Will it matter at the end of the day?", Blake, Dawson, Waldron Reporter, December 1990, p.6.
32. Ricketson, S., supra note 26 p.923.
33. Ibid, Section 3 for definition of "new plant variety".
34. Australian Plant Variety Act 1987, No.2 of 1987, assented to 13th March 1987. Section 12.
35. Plant Variety Act, ibid, Section 13(1). See also Irvine, Sue, "Intellectual Property Protection for Plant Innovation in Australia", Blake Dawson Waldron Reporter, April 1990, pp.10-13.
36. Plant Variety Act, supra note 34, Section 14.
37. McKeough, J. and Stewart, A., supra note 10, p.267.
38. Ibid, p.269; Lubrizol case as an example, at p.267. See also Lloyd, B.L. and Lloyd, H.L, "Plant Variety Rights in Australia: Practice and Procedure", Blake, Dawson, Waldron Reporter, October 1991, p.18.
39. Elucidation of the Implementing Regulation of the Indonesian Patent Law, Government Decree number 34 of 1991; Minister of Justice Decree, no.M.06-HC.02.01 of 1991 concerning Procedure on Patent Application.
40. Government Decree, ibid, the Elucidation. In the United States, a claim in respect of a new strain of bacteria capable of clearing up oil spills was allowed by the Supreme Court in Diamond v. Chakrabarty. (1980) 65 L.Ed 2d 144; See as to the patentability of micro-organisms; Daus, D.G., "New

Life in U.S. Patents - The Chakrabarty Case"
European Intellectual Property Review (EIPR), v.7,
1980. p.194.

41. On 28th April 1977. See Kansil, Nico, "Garis-garis besar Intelektual Properti serta Kebijakan Pemerintah RI di bidang Intelektual Properti" (Guidelines and Government Policies on Intellectual Property), paper given in the public information and awareness seminar in the area of Trademark Law and Practices, Cinere, Jakarta, 12-14 March 1990, append.1, p.2.
42. Articles 19 and 20 of Indonesian Government Decree number 34 of 1991 concerning Procedure on Patent Application for micro organism.
43. See Schedule 1 of Australian Patent Regulation number 71 of 1991, pp.110-134.
44. Section 41(2) of the Australian Patent Act; see also Terry, John, *supra* note 15 para.45-670 p.22-114, para.47-650 p.22-402; para.53-140 pp.23-001 - 23-002.
45. Adhesives Pty Ltd v. A.D. Gaerings Industries (1935) 55 CLR 523 (improves process for yeast manufacture); Commercial Solvent Pty v. Synthetic Products (1926) 43 RPC 185 (production of amyl alcohol from maize).
46. General Electric Co's Applications (1961) RPC 21.
47. (1976) 46 AOJP 3915.
48. *Ibid*, p.3918.
49. Ricketson, S., *supra* note 26, p.924.
50. Kesowo, Bambang, *supra* note 22.
51. (1938) 59 CLR 684.
52. *Ibid*.
53. (1959) 102 CLR 252, p.275.
54. (1972) 46 ALJR 438.

55. (1972) 46 ALJR 438, 440-1, The High Court in Joos noted Re Schering AG's Application [1971] RPC 337 where the English Patent Appeal Tribunal held that a contraceptive process could proceed to a grant of patent under U.K. Patent Act because it was not for the treatment of disease or a medical treatment. See Ricketson, S., supra note 26, pp.928-929; Lahore, J. et al, 1990, pp.601-608. For discussion of the position under English law prior to the Patent Act 1977 see Aldous, W, et al, 1982, para.2.13 - 2.16.
56. Terry, John, supra note 15, para.45-630, p.22,172.
57. (1959) RPC 35.
58. Lahore, J. et al, supra note 55, p.616.
59. Ibid.
60. Article 11(k) of the Indonesian Law on Copyright "1982" as amended in 1987.
61. As practice in Australia, see Ricketson, S., supra note 26 p.922.
62. McKeough, J. and Stewart, A., supra note 10, pp.112, 170, 173.
63. McKeough, J. and Stewart, A., supra note 10, p.183.
64. (1978) 197 USPQ 464.
65. (1980) 205 USPQ 397.
66. (1981) 209 USPQ 1.
67. Australian Patent Office, "Guidelines for considering the patentability of computer related invention", Canberra, p.2. Paper hold by writer.
68. See Diamond v. Diehr (1981) 209 USPQ 1.
69. Guidelines, supra note 67, p.2.
70. Sherman, Brad, "The Patentability of Computer Related Inventions in the U.K." and EPO EIPR, v.3, 1991,

pp.85-90.

71. Betten, Jurgen, "Patent Protection for Computer Programs in German" by the EPO EIPR, 1987 pp.10-17;
72. Radcliffe, Mark, "The Future of Computer Law: Ten Challenges for the Next Decade", EIPR, v.10, 1991, p.361.
73. McKeough, J. and Stewart, A., supra note 10, p. 183.
74. McKeough, J. and Stewart, A., supra note 10, p.185.
75. (1991) AIPC 90-781; see also IP Asia, 27th February 1992, pp.23-28. Speakman, Mark, "Patent Protection for Computer Software", Blake Dawson Waldron Reporter, April 1990, p.9.
76. McKeough, J. and Stewart, A., supra note 10, p.184.
77. Section 1(2) of the U.K. Patent Act "1977", Phillips, Jeremy, 1990, p.5.

CHAPTER 3

INVENTIONS FOR WHICH PATENT MAY BE GRANTED

3.1 Requirements

The typical requirements for patentability in Indonesian and Australian applications are, in general terms, similar. Indonesian Patent Law describes an invention for which a patent may be granted, either in a standard patent or simple patent, which in essence, must possess: (1)

- novelty;
- inventiveness; and
- being applicable to an industry.

Under the Australian Patent Act, a patentable invention must: be novel and be a manner of manufacture within the meaning of Section 6 of Statute of Monopolies, involve inventive step, be useful and not have been secretly used (2) and also "fulfil other internal objections". (3) The above mentioned pre-conditions show that the Australian requirements for applying a patent are more stringent than that of the Indonesian.

With regard to invention, the main differences between the simple patent/petty patent on the one hand and standard patent on the other hand, in essence, are related to the degree of novelty/inventiveness required, examination procedure and the term granted upon acceptance.

In addition, both legislations provide a ground opposition(4) for the grant of a patent and revocation(5) if the validity of a patent is impugned.

In the following sections below, the respective Indonesian and Australian requirements with regard to patentability will be discussed.

3.2 Novelty

Different criteria for novelty has been established by various patent systems around the world. In France, Switzerland and Mexico, for example, the law requires the "universal" or "world" standard; a patent right is granted only when no identical invention has been publicly disclosed in publications or publicly used or known to the public in any country of the world.(6)

Under the Patent Act "1949", the United Kingdom had the same test for novelty as Australia did, namely, the domestic or one country standard.(7) However, under the Patent Act "1977", the United Kingdom has adopted the universal standard.(8)

It is of interest to note, before going further, the recommendations of the Industrial Property Advisory Committee in its 1984 Report on "Patents, Innovations and Competitions in Australia" which was tabled in the Parliament on November 28, 1986. The Committee recommended

that the text of the Patent Act "1952" be drafted and rearranged; and it also requested a two-tier system for testing novelty and obviousness. For standard patents, it recommended the use of a mixed standard; novelty and obviousness would be determined against a prior art base consisting of:

- (i) disclosures in recorded form publicly available anywhere in the world;
- (ii) disclosures, openly made by oral communication in Australia; and
- (iii) what has been openly done and used in Australia. (9)

The first category of examination is absolute, but the other two are domestic requirements. These requirements, known as "relative novelty standard", are identical with the Indonesian pre-conditions for granting a patent right, and are also to be found in the United States, Canada, South Africa and Japan. (10)

In Article 3(a) of the Indonesian Patent Law, the test for novelty stipulates that reference be made to refer to "announcements in written article" abroad whereas the Committee Recommendation refers to "disclosures in recorded form" publicly available worldwide. Thus the Indonesian "written article" is apparently analogous to "written document", and will include, for example, computer databases. (11)

The Indonesian term "announcement through oral explanations or through a display of its use" in Article 3(b) appears to be represented in the Recommendation's "disclosure openly made by oral communication", and such prior oral disclosure or prior use is stressed particularly on a local basis(12) in each country.

The Industrial Property Advisory Committee also recommended a less rigorous test of novelty and obviousness for petty patents. The prior art base would be restricted to prior disclosures in Australia.

The recommendations made by the Industrial Property Advisory Committee in its report in 1984 were ultimately adopted in the Australian "1990" Patent Act.

3.2.1 Anticipation

As noted earlier one of the typical requirements for patentability is novelty. In Australia, the novelty of a claim is to be assessed when being compared to "prior art base" as it existed before the priority date of that claim.

Section 7(1) of the Australian Patent Act, in conjunction with Schedule 1(13), sets out the quality of a patentable invention, as follows;

"For the purpose of this Act, an invention is to be taken to be novel when compared with the prior art base unless it is not novel in the light of any one

of the following kinds of information, each of which must be considered separately:

- (a) prior art information (other than that mentioned in paragraph (c)) made publicly available in a single document or through doing a single act;
- (b) prior art information (other than that mentioned in paragraph (c)) made publicly available in 2 or more related documents, or through doing 2 or more related acts, if the relationship between the documents or acts is such that a person skilled in the relevant art in the patent area would treat them as a single source of that information;
- (c) prior art information contained in a single specification of the kind mentioned in subparagraph (b)(ii) of the definition of "prior art base" in Schedule 1".

Clearly, an invention will be novel unless it has been anticipated in the "prior art base" because of a single disclosure by any of the means stated above. Accordingly, anticipation may occur principally through "prior publication" and "prior public use".

"Prior publication" in the Australian Patent Act refers to information which is "publicly available". Although this is not defined in the "1990" Act, the interpretation will presumably rest on existing reported cases. In Re: Lovens Kemiske Fabriks Handelsaktie Selska (14), Lord Parker cited with approval the authority of Humperson v. Syer (15) as follows:

"...if the information, whether in documentary form or in the form of the invention itself, has been communicated to a single member of the public without inhibiting fetter, that is enough to amount to a

making available to the public..." (16)

As to what constitutes "publicly available", the established principle is that there should be no impediment for the general public in gaining access to the information. Thus, if a document was available in the public library where any member of the public can search as of right, the information will be amounted as publication even if no single person has read it. (17) However, if a document is available in a private library where only staff have access, then such information will not be amounted to publication available to the public. (18) In addition, to establish the existence of prior publication, it was not necessary to prove that the information was common knowledge; public knowledge was sufficient. (19)

A similar effect of anticipation is also reached through prior use if no obligation is placed, either in expressed or implied terms, on the recipient to keep the invention confidential. However, "confidentiality" itself might be nullified if the revelation by a patentee is intrinsically a part of the preliminary step of a commercial marketing process. (20) For example, in Fomento v. Mentmore (21), the court conceded that the disclosure of a ballpoint pen to the government officer through a personal gift be categorised as a type of demonstration which was indeed public. Clearly, the anticipation could be occurred by way of writing, demonstration or even orally. (22)

Furthermore, anticipation of an invention may occur through prior publication if the alleged prior publication contain adequate disclosure of the invention in question. This matter was well exemplified in Hill v. Evans (23) made by Lord Westbury:

"The invention must be shown to have been before made known. Whatever...is essential to the invention must be read out of the prior publication. If specific details are necessary for the practical working and real utility of the alleged invention, they must be found substantially in the prior publication...the prior knowledge of an invention to avoid a patent must be knowledge equal to that required to be given in the specification, namely such knowledge as will enable the public to perceive the very discovery and carry the invention into practical use."

A good recent exposition can also be found in Nicaro Holdings Pty Ltd & Ors v Martin Engineering Co & Anor (24), where it was held that the prior document had to contain all features of the invention which is embodied in the patent specification, in suit and had to be done in clear, unequivocal and unmistakable directions.

The interpretation of anticipation has been extended not only to written descriptions but also to photographs. (25)

The relationship between anticipation through publication and the priority date of an application is well illustrated by the case of Coopers Animal Health Australia Ltd v. Western Stock Distributors Ltd. v Western Stock Distributors Ltd. (26)

The plaintiff who had pursuant to Section 51 of the "1952"

Patents Act lodged a provisional specification on November 12, 1980, in respect of an application for a standard patent. At a later date, it was attempted to extract a petty patent from this provisional specification, for which a petty patent specification was lodged on September 17, 1984. The subject matter of the petty patent was a pour-on lousicide for sheep. The plaintiff sued for infringement of the petty patent and the defendant counter-claimed for revocation of the petty patent. It was held that the petty patent specification was not fairly based on the provisional specification and the novelty of the petty patent was to be judged as at the lodgement of the petty patent specification on September 17, 1984, not the earlier priority date sought November 12, 1980. So all considered, the petty patent was not novel as there was accepted evidence of non-confidential field trials for the product before the date of lodgement of the petty patent specification. (27)

It should also be noted, while the testing of prior publication or prior use is not clearly described by the Indonesian Law or the Implementing Regulations, it seems fair to assume that, as in the Australian Act (28), prior use or publication must be for the whole invention, not just part of it, so that it can be said that the prior use or use according to what has been published, would constitute an infringement of the patent if granted and if valld, as enunciated in Minnesota Mining and Manufacturing and anor v. Beiersdorf (Australia) Ltd. (29) This test is

generally accepted for testing anticipation and often refers to the "reverse infringement test" which means resolving questions of an invention which emerge from a variation of an earlier publication. However, those variations would preclude anticipation if they showed ingenuity and inventiveness(30)

3.2.2 Combining Prior Art References

It has been mentioned previously that Section 7(1)(a)(b) of the "1990" Act suggested that in determining novelty, an individual consideration of each prior information is necessary. Conversely, considering them as a connected document is permissible, provided those documents or acts clearly refer to one another in such a way that a person skilled in the relevant art would treat them as a "single source of information".(31) The phrase of what constitutes "single source of information" became a statutory interpretation question since the prohibition of making a "mosaic", which is not otherwise cross-referenced is exist on assessing want to novelty.

In Nicaró Holding Pty Ltd & Ors v. Martin Engineering Co & Anor (32)

"In my view, It will not necessarily be making a forbidden mosaic merely to rely upon two or more documents, none of which by itself discloses material sufficient for an anticipation of the invention in suit. What degree of lack of connection between two or more documents will make them "independent" and so forbid the making of a mosaic to destroy novelty, will be very much a question in the particular case.

Much will depend upon the nature of the art in which the skilled addressee is to be treated as versed at the priority date...; Plainly, the degree of connection which is stated to exist in the documents themselves will be important. It is difficult to see how mere identification of prior patents as related or prior art would bring them sufficiently closely together for the purpose under consideration here. Again, even where there is a further description of the prior publication, it may nevertheless be that the purpose of the reference is to direct the reader away from it, as disclosing something outmoded or defective".

However, it remains to be seen, whether Indonesia will come up with the same construction, as adopted in Australia when considering want to novelty through the combination of prior art references since the basic similar idea is contained in Article 3 of the Indonesian Patent Law.

3.2.3 Whole Contents

Article 24 in conjunction with Section 37 of the Indonesian Patent Law adopts the principle that only one patent should be granted to the same invention. This principle may be invoked not only in the preliminary examination (as lack of novelty) but also when a patent is already in force (as grounds for revocation). (33) However, as no clear explanation exists about how such provision will work on finding remonopolising, Australian practice will be a reference.

In the Australian system, a parallel provision is found

under Section 7(1)(c) in conjunction with Schedule 1, and relates to standard and petty patents. This stipulates only part of the requirements for assessing novelty through prior art information contained in a single specification, and does not present an objection to inventive step. In this context, the approach to relevant prior art base will include the entire contents of information in a complete specification which is either unpublished or has not been published at the priority date.(34) Thus, it is clear that a patent will be invalidated, if it is proven that the applicant contemplates re-monopolising the subject matter already claimed in a claim made on the earlier priority date.(35)

Remonopolising is not avoided merely by differentiating words of a claim, provided that the variation (of words) made is part of the common general knowledge of skilled addressee in the invention concerned.(36)

Moreover, difficulties might arise when the later claim is narrower or wider than the earlier claim. In the first situation, prior claim does not exist if the later claim represents an improvement of the earlier claim or a selection invention having advantages.(37) Conversely, a patent will no longer survive from a prior claim if the later claim only includes a verbal distinction or feature between the two claims.

On the other hand, in the second situation where the later

claim is broader than the antecedent, prior claim is found when the later claim is essentially considered to monopolise various alternatives. (38)

The establishment of prior claim through amendment of specifications may also occur, if the earlier patent specification has sufficiently included all disclosures. Furthermore, no objection to prior claim would readily be made where two different owners are involved in claims on the same priority date. However, where the same owner is involved, prohibition only applies to identical scope of the respective claims. (39)

Prior to the adoption of the whole content approach, in determining whether there was a "re-claim", Australia adopted a strict basic test which involved four conditions: whether the earlier claim is narrower than the later one; whether the earlier and the later claim overlap; whether the earlier and the later claim are co-terminuous; and whether the earlier claim is broader than the later claim. In the first and second tests, prior claim would be established, even though the later claim set up a new subject which had not been claimed before. (40) However, it could be restored by amending or by excluding the area covered by the earlier claim. The third test reflects the situation where a prior claim has been established. The situation illustrated by the fourth test gives rise to a problem inherent to this approach.

In the Kromschroeder Patents (41), which was a milestone in applying the above approaches, the applicant, who owned a combination patent which had been previously claimed, requested a later claim which was said to be integers of the previous patent. The later claim was approved because it had not been "distinctly" claimed in the earlier claim. The decision to approve the later claim did not distinguish between something "distinctly claimed" on the one hand, and something "merely comprehended" on the other hand, and this had created difficulties, particularly when dealing with chemical inventions.

An example is found in Merck & Co's (Macek's) (42), where the alleged prior claim was for "a therapeutic composition comprising novobiocin and a tetracycline". The specification of the patent specified oxytetracycline and chlortetracycline as equivalent to tetracycline for the purpose of invention. The applicant, in the later claim, specified a composition comprising novobiocin and an antibiotic, where such antibiotic is equal to-tetracycline. In other words, this was a summation of a number of separate claims. Lloyd-Jacobs J., opposed his earlier decision in Kromschroeder case, where for this case, he was of the opinion that prior claim had been established, which in his words, was:

".....whether the prior claim could properly be regarded as the summation of a number of notional separate claims to alternative ingredients in a manner of manufacture...or a claim to a generalised manner of manufacture in which the identity of the ingredients, save in the broad sense of inclusion in

chemical classification, was not essential...." (43)

In this case, he had held that the meaning of "distinct claim" in the Kromschroeder case was not to be interpreted as "separate" but rather as "clear", and he discovered that the prior claim was the same compound per se as the earlier claim.

Given the explanation from the above cases, the strict application of tests in determining prior claim as in Kromschroeder case created inconsistency in court decisions. Therefore, Australia under the "1990" Act, abolished the above-mentioned approach. (44) Thus, it would be advisable for Indonesia to follow the existing "whole content" approach, with a view to avoiding the unsatisfactory Australian experience.

3.3 Circumstances not Affecting Validity of a Patent in the Event of Certain Public Use

Both legislative systems create exceptions in which information which is literary available to the public, thus documents or acts are not to be considered when judging the novelty of the invention.

The Indonesian Patent Law in its Article 4 provides two events which will not result in loss of novelty for any application for a patent where such events occur within six months before the date of filing. The specified events are as follows:

- "(a) The invention has already been displayed at an international exhibition abroad which is official or recognised as official or in an international exhibition in Indonesia which is official or recognised as official:
- (b) The invention has already been used in Indonesia by its creator within the framework of an experiment for research and development purposes."

Similarly, in Australia, an application for a patent also cannot be opposed, and a patent is not invalid, for lack of novelty where the invention, in fact, has been publicly available through any publication or use in the prescribed circumstances by or with the consent of the nominated person or patentee or the predecessor in title of the nominated person or the patentee for the testing as purposed by Section 24(1)(a).

Such test should be made within one year from the patent application being lodged. (45)

Furthermore, Section 24(1)(b) of the "1990" Act provides that a patent is not invalid by virtue of any information made publicly available without the consent of the patentee or nominated person within a period of 12 months before the filing date of a patent application for an invention.

The permissible event contained under Article 4(a) of the Indonesian Patent Law also exists in Australia. However, concerning circumstances not affecting validity of a

patent, the inclusion of phrase "used in Indonesia" as stipulated in Article 4(b) might be peculiar in the sense that the experiment is only recognised if it is undertaken within the Indonesian territory. If this were correct, it is therefore to be supposed that the saving provision will not apply to experiments conducted overseas by applicants. In other words, this provision may give local applicants advantage over foreign applicants where the latter had presumably run a test or made an experiment for research and development purpose" outside Indonesia, and in any way could not benefit from this provision.(46) However, the equal treatment for applicants clause will appear in the absence of the word "Indonesia". Thereby it is suggested to read the provision without the word "Indonesia" as no clear explanation has been given on the intended policy behind the construction of this provision.

Thus, in the absence of the word "Indonesia", the difference between the Australian Patent Act and its Indonesian counterpart exists only with regard to time allowed for conducting experiments or testing.

In International Paint Co. Ltd's Application, (47) it was held that a user could be for the purposes of reasonable trial only, more than one party, and even commercial use might be within the protection, because it might be reasonable for a potential customer to finance the trial by buying some material to test the invention, provided that such purchase was for the purposes of trial for both

parties. The responsibility of establishing that a use was experimental must rest on the applicant for the patent because the facts are peculiarly within his own knowledge and his disclosure must be concealing nothing (uberrima fides(48)).

Lastly, while the full ramifications of the Australian provisions under the "1990" Act have been developed and interpreted by individual cases, Indonesian Patent Law ensures protection primarily through decrees, regulations and practice directions, at least in the early stages of implementation.

3.4 Inventiveness

Articles 2(2), (3) of the Indonesian Patent Law requires that an invention must have an inventive step which is an "unexpected matter" to a person with the usual expertise in the technical field. For an invention to be evaluated as "unexpected matter" expertise existing at or prior to the time an application is made must be taken into account. This applies also if the application is filed with the priority right.

The expression "person with usual expertise in the technical field" could be assumed to refer to a skilled person presumably with universal (as opposed to simply local) knowledge.(49) Moreover, the term "unexpected matter" is not solely a transpiration of ideas but

includes an element of inspiration. (50)

Testing under Articles 2(2), (3) would be proposed against "prior art base". In addition, the consideration for testing "prior art information" as represented under Article 3(a)(b) of the Indonesian Law has been previously discussed when pertaining to novelty matters.

As for assessing whether an invention involves "inventive step", an invention should not be turned down at any rate at the application stage, unless the alleged inventive step is shown plainly in the light of prior art. (51) However, if the validity of a patent is doubted then it is liable to be revoked at a later stage by virtue of Article 97(1)(a) of the Indonesian Patent Law.

Similarly under the Australian position, a patentable invention should involve an inventive step (Section 18(1)(b)). Lack of inventive step is also grounds for revocation under Section 138(3)(b) of the "1990" Act. Objections to obviousness are also relevant during examination and re-examination stages and in pre-grant opposition (Sections 45(1)(b), 59(b) and 98(1)(b)). Apparently the re-examination test does not exist in Indonesia.

The test for inventiveness requires that the inventive step be regarded in relation to the prior art base. This refers to the situation where the invention is obvious to

a person skilled in the relevant art in the light of common general knowledge as it existed in the patent area before the priority date of the relevant claim, whether that knowledge is considered separately or together with either kind of information mentioned in Subsection (3), each of which must be considered separately (Section 7(2)). For the purposes of Subsection (2), the kinds of information are:

- (a) prior art information made publicly available in a single document or through doing single act; and
- (b) prior art information made publicly available in two or more related documents, or through doing two or more related Acts, is such that a person skilled in the relevant art in the patent area would treat them as a single source of that information;

Information being that which the skilled person mentioned in Subsection (2) could, before the priority date of the relevant claim, be reasonably expected to have been ascertained, understood and regarded as relevant to work in the relevant art in the patent area (Section 7(3)).

In addition, when assessing "inventive step" in an invention, not all information forming part of the "prior art base" should be taken into account. There are some exclusion indeed, such as prior art base which refers to unpublished specifications and various sources of

information as set out in Section 24 of the "1990" Act. As defined in Section 7 an invention will be inventive if it involves an inventive step in the light of "common general knowledge". In Minnesota Mining & Manufacturing Co v. Beiersdorf (Australia) Ltd (52) case, Aickin J. explained the meaning of "common general knowledge" as follows:

"The notion of common general knowledge itself involves the use of that which is known or used by those in the relevant trade. It forms the background knowledge and experience which is available to all in the trade in considering the making of new products, or the making of improvements in old, and it must be treated as being used by an individual as a general body of knowledge."

At present, the matter of the establishment of testing inventiveness is still questionable in Australia. The focus begins on whether the question of common general knowledge reflected in Sections 7(2), (3) of the "1990" Act has been reconstructed from the 3M case aforementioned. As Section 7(2) particularly emphasises the material of common general knowledge in the patent area, while Section 7(3) indicates other materials (e.g. information from foreign sources) which constitute additional information to enhance the worth of common general knowledge.

John Terry pointed out, however, that in a practical sense, it is not an easy task to find that a piece of information is reasonably ascertainable but not forming part of the common general knowledge. (53)

Nevertheless, in Australia, inventiveness is judged in

regard to the "common general knowledge" by reference to a non-inventive skilled worker in the field.

In the 3M case, the High Court tested inventiveness by measuring the invention against what was or ought to have been known by a diligent researcher. Aickin J. stated:

"The proper question is not whether it would have been obvious to the hypothetical addressee who was presented with an ex post facto selection of prior combined to produce a new product or process. It is rather whether it would have been obvious to a non-inventive skilled worker in the field to select from a possibly very large range of publications the particular combination subsequently chosen by the opponent in the glare of hindsight, and also whether it would have been obvious to that worker to select the particular combination of integers from those selected publications". (54)

A good commentary on this area is contained in Coopers Animal Health Australia Ltd. v. Western Stock Distributors Ltd. (55) where Wilcox J. considered the authorities on inventiveness and applied them to a petty patent for a kind of pyrethroids for sheep, holding that the defence of obviousness succeeded. Wilcox J. cited the following authorities for his reasoning;

1. Obviousness and inventiveness are antitheses. What is obvious cannot be inventive, and what is inventive cannot be obvious: Beecham Group Ltd's Application. (56)
2. For a particular step or process to be obvious, it is not necessary to establish that its success is clearly predictable: John-Manville Corporation's Patent. (57)

3. It will suffice to establish obviousness if it is shown that it would appear to anyone skilled in the art but lacking in inventive capacity that it would be worthwhile to try the step or process, to try to solve some recognised need. The inventive expert should not be opposed to be attempting to discover something new: Technograph Printed Circuits Ltd v. Mills & Rockley (Electronics) Ltd. (58)

Furthermore, there are some difficulties in obviousness in the issue of mosaic documents. Though Aickin J. did not rule out the possibility of mosaic documents, it was suggested that such reference be permissible if perfectly evident to hypothetical addressee. (59) The suggestion made in the 3M case has been followed in many subsequent cases. (60)

Having regard to the establishment of testing inventiveness mentioned earlier in 3M case, any unimaginative thinking which will result in a product of extraordinary new nature is, of course, categorised as inventive step. However, as with novelty, a patent may also be granted if it reflects that success has been achieved effectively by a patentee regarded as providing: the "suggestion of a new method of using known substances" or the "satisfaction of a long felt need" or the "practical solution to a problem whereas others had been unable to overcome". (61)

Another factor relevant to patentability is what is known as "scintilla of invention". This applies irrespective of whether an invention consists of all known devices or is a current resolution for an old problem or a result of continuous experiments. (62)

3.5 Obviousness and Novelty

In addition, under the Australian Patent Act, there is considerable overlap between the test of novelty and obviousness. Decisions of the High Court in the early 1980's have placed limitations upon what will be regarded as an inventive step. In Minnesota Mining & Manufacturing and Anor. v. Beiersdorf (The 3M Case) (63), the High Court held that only documents which formed part of the "common general knowledge" could be considered in determining the question of obviousness. This removes limitation on obviousness.

"Common general knowledge" as previously mentioned in the 3M case is narrower than, and must be distinguished from, what is public knowledge. Common general knowledge is relevant to inventiveness and public knowledge relevant to novelty. (64)

In Sunbeam v. Murphy Richards (Australia) Ltd (65) Windeyer J. suggested that on the one hand, for the purpose of novelty, an invention should not have been disclosed regardless of whether to many or a few people. In addition

even an obscure publication, as well as publication by the user might lead to lack of novelty. On the other hand, to satisfy the inventiveness criteria, an invention should have an extra-ordinary result, or be represented as an inventive step by a person judging from common general knowledge, who is skilled in the art of the invention concerned. In view of this, a public knowledge as result of disclosure in public, will not automatically categorised as common general knowledge, if skilled addressee is not used of discussing such specification. (66)

It should be noted as with the requirement of novelty, only time and experience will reveal whether the Indonesian Patent Commission will interpret the requirement of Article 2 in respect of "inventiveness" in a similar manner to that which has developed in Australia. For example, at a general level, it might be expected that the requirement of "unexpected matter" for an invention will meet "non-obvious" inventions as understood in Section 18(b) (1) (ii) and Section 7(2), (3) of the "1990" Patent Act.

3.6 Combination Patent

It is also important to note that sometimes a claim for a combination patent, regardless of whether some or all known integers are provided, can still be regarded as patentable provided the new result has succeeded in

overcoming the obviousness objection. (67)

In this context, the crucial point being asked is whether by putting together the well known integers, perfectly expected result will be produced. If it is, then the patent will be invalid as it lacks inventiveness. However, if the invention does produce a new result hitherto not achieved and can provide commercial advantages, the alleged invention will be sufficient to satisfy the requirements and be patentable. (68) This is distinct from mere collocation, where the latter merely performs its function any change in results. (69)

3.7 Selection Patent

Another common problem in existing material is that called selection invention. The basic problem in this area is when it is known that a class of compound in general possesses certain activities, it can be regarded as inventive when one of the compounds of that class is found possessing a much higher activity and has much less side-effects over the whole class of compound. This commonly occurs in cases concerning chemical substances. (70)

In IG Farbenindustries' Patent (71) Maughan J. summarised the requirement of a selection patent as follows:

"First, a selection patent to be valid must be based upon some substantial advantage to be secured by the use of selected members. Secondly, the whole of the

selected members must possess the advantage in question. Thirdly, the selection must be in respect of a quality of a special character which can fairly be said to be peculiar to the selected group. (72)

These requirements are not definitive rules, so it could be also applied to other types of invention. (73)

It should be noted as combination patent, selection patent are also relevant when considering novelty, inventiveness and utility.

3.8 Practical Applicability

Article 5 in conjunction with 1(2) of the Indonesian Patent Law requires that an invention be applicable to an industry if the invention can be produced or may be used in different types of industry. This test will encompass two situations as well: whether the use of the invention can facilitate the technical production of goods; and whether the use can produce or be used to achieve result or effect. Generally, the effect of an invention can be determined objectively from its technical solution. Contradiction with one of the aforementioned may result in inutility (74), for example, if the patent is granted for an invention which has no possible use, this could be meant that alleged invention has inutility, and this invention could be revoked under Article 97(1)(a) of the Indonesian Patent Law.

The Australian Patent Act, under Sections 18(1)(c) and

138(3) (b) provides equivalent grounds for lacking utility. This ground contains two meanings of use; firstly, the invention is not useful for anything and secondly, the invention does not perform as claimed in the specification. When considering matters of inutility in the opposition and examination stages, the proper question to be asked is whether the alleged invention fulfils the requirement provided in Section 18(1) (a) (b) of "1990" Act, but in the stage of revocation, all conditions for patentability as stipulated in the Act require to be considered effectively. (75)

Under the Australian Law, in considering whether the claimed invention is useful, the purpose of the invention is to be discovered from the title and the whole of the specification. (76) In other words, if the result of the invention is consistent with its patent specification, then a patent could not be denied for lack of utility, regardless of how commercially impractical it might be. (77) Furthermore, "useful" does not mean commercial viability as such; it means that the invention as claimed by the patentee ought to attain the result set out in the specification. (78)

A good exposition in this area which was based on general common law is found in an old case namely Alsop's Patent (79), where Parker J. identified the principle of the test:

- (1) If the patentee claims protection for a process for producing a result and that result can not be

produced by the process, a patent fails; and (2) if a claim for a process for producing two result, then only one can be achieved, then that partial failure will be sufficient to void the patent once granted; (3) if the invention is completely useless, no doubt a patent will be invalid; (4) if a claim can produce what was promised, but there were additional promises which could not be achieved, in that case the patent would be necessarily voided, provided the result of such "additional promises" is useless." (80)

In other words, the actual area to be claimed for a monopoly must be useful and attainable, and any material inducing factors which led to misrepresentation or mischief to the State and generally inconvenience within the meaning of Statutes of Monopolies, will be voidable. However, where additional promises are concerned, consideration need not necessarily be strict, unless proven materially. (81)

In considering utility, it is necessary to compare the promise in the document with the performance of the invention when put into practice. If the invention can be made in conformity with the specification but does not deliver the promise, the invention in question will be invalid. In Coopers Animal Health Case (82), Wilcox J. held that if a claim exceeds what is useful, it is invalid. Where the scope of a claim includes some method which is useless, the claim could not be saved by only showing that no skilled person would ever try to use the method. (83) The defendant alleged that the claim of the petty patent was not useful, as indicated by the use of the term "pyrethroid" of the specified formula, and took in more

than what was useful. The evidence showed that there were hundreds of known pyrethroids, intrinsically all of which had a chemical structure falling within the formula specified in the petty patent. Only a minority of these pyrethroids were light stable. Thus the claim, by referring only to "pyrethroid" had complied with the description but fail to provide the result. Accordingly, the learned judge held that this partial inutility invalidated the whole claim.

By contrast, there is little commentary and no case under the Indonesian Patent Law to give precise meaning to the requirement for "industrial applicability". As noted earlier in Article 5, Indonesian requirements for industrial applicability are concerned with whether the invention "can be produced or used in different types of industries in order to produce a result". There is no further clarification regarding the performance of the invention. Furthermore, Article 5 does not mention the comparison between what is promised in the specification and what effort the invention produces. Thus, one can envisage circumstances, where a standard patent which does not achieve the result set out in the specification but may produce another useful result which is also a patentable subject matter, is granted a patent by the Indonesian Patent Office. In other words, the Indonesian term of "industrial applicability", may be wider than the Australian's "utility".

3.9 Sufficiency of Description

Article 30(84) in conjunction with the Implementing Regulation number 34 of 1991(85) provides briefly that an applicant's description should cover all information needed for realising the invention, in term understood by an expert in the field. Any deficiency in information considered important, as provided under Article 60 of the Indonesian Patent Law(86) results in written notification from the Patent Office requiring revision of the specification for the invention in question, within a prescribed period.(87) It could be said that these aforementioned Articles - compulsory amendment - reflect the adoption of the "sufficiency of description" principle by the Indonesian Patent Office as grounds for rejection. However, once a patent is granted, there would be no statutory basis for attacking a patent based on deficiency of specification. This situation is supported by the concept of industrial applicability, as one of the basic requirements of patentability, which emphasises the usefulness of the result. In view of this, once a patent is granted, the benefit of the patent to the public would be a determining factor in a defense against deficiency of specification.

By contrast, in Australia, under Section 40(2)(c) of the "1990" Act requires a complete specification which must "describe the invention fully", including the "best method to the applicant of performing the invention". Any failure

to comply with such a pre-condition may result in insufficiency. This Section covers two aspects. While the first aspect concerns the monopoly nature of the invention, the second relates to the best method known by the inventor to achieve the end result. (88) Therefore, the sufficiency of an invention will be evaluated according to the extent to which the description and explanation can adequately inform the skilled person. In other words, the skilled addressee should be able to operate the invention only by using his own knowledge, helped by his non inventive experiment. (89)

Although insufficiency is different from inutility, these two issues often overlap. The distinction between these phrases is well exemplified in Tetra Molectric Ltd Application. (90) Roskill L.J. suggested:

"If you cannot achieve the promised result because of the defficiencies in the information given in the specifications, there is insufficiency. But if, following that information and having achieved mechanically that which the specification promises you will achieve by so following it, and the end product will not of itself achieve that promise, then that is inutility." (91)

Moreover, sufficiency in describing an invention applies adequately to claim specifications which involve the use, modification or cultivation of a micro-organism. In satisfying the pre-condition provided in Sections 41 and 42 of the "1990" Act, the applicant must deposit the micro-organism in any recognised depository institution and include all the information needed. (92)

In other words, the availability of the sample enables a person skilled in the relevant art to perform the invention. As it is deposited in a recognised depository institutions, the sample will be regarded as reasonably available. (93)

3.10 Fair Basis

Other requirements of utmost importance, which are in substance the same as those imposed on sufficiency of specification are ambiguity and fair basis. It should be noted, although sufficiency and ambiguity are inter-related, these must be distinguished in a way that ambiguity is directed to the issue contained in a claim, while insufficiency comes into the description of the invention provided in the body specification. (94) As with "sufficiency of description" principle, a "fair basis" principle is also adopted by the Indonesian Patent Office when examining the invention in question.

In the case where there is ambiguity contained in a claim, the Indonesian Patent Office may return the application accompanied with the reason. So the applicant may, in prescribed period, change or improve necessary steps to clarify the issue in the claim. (95) In other words, this mandatory amendments try to minimise or at best to eliminate the possibility of ambiguity in a claim. However, when there is a granted patent which ultimately is found to be not fairly based, and since no expressed

statutory basis deal with its revocation it would be an advantages for Indonesia to incorporate "fair base" concept in the revocation of a patent. This solution will be concomitant with protection of public interest through a patent.

In contrast, Section 40(3) of the Australian Patent Act provides that claims must be clear and succinct and fairly based on the matter described in the specification. The general pronouncement of fair basis has been explained in AMP v. Utilux Pty Ltd (96) by McTierman J.:

"the second half of Section 40(2) requires that the claims be fairly based not only on the description of the invention but also upon the description of the method of performing it, in fact the claims must be fairly based on all the matter in the specification. In practice this requirement.... means that if there is some feature claimed in a claim to which no reference is made in the body of specification, or if a claim is not limited by its terms to what the patentee has stated in the body of the specification to be the embodiment of the invention then the requirement of [fair basing] has not been complied with... ". (97)

In this case, it was held that the requirement is having regard to testing of internal consistency in the specification. Moreover, it was suggested that the applicant be required to outline clearly his invention, considering that the public also had the right to know what they could or could not do to the invention, in the light of the private right given to the patentee.

In the matter concerning fair basis, the skilled man will

focus mainly on consistency of function or purpose between the body of a specification and the claim. Therefore, the common questions as to what constitutes fair basis are:

- (1) "Is the alleged invention as claimed in (the claim) broadly (in a general sense) described in the body of specification?
- (2) Is there anything in the body of the specification which is inconsistent with the alleged invention as claimed...
- (3) Does (the claim) include as a characteristic of the invention a feature as to which the body of the specification is entirely silent".(98)

This is also known as "Mond Nickel rule".

Beside there being conformity between a provisional specification and the complete specification filed which may have had further development (if any), other important factors for making a claim "fairly based", is that "the idea" of the invention claimed in the claim in question should be contained in the body specification. If so, such a claim will amount to having a real and reasonably clear disclosure.(99) Any failure in non compliance with Section 40 may be fatal to a patent itself in the application stage or once it is granted.

In addition, the claim specification also became important as a basic guidance for rendering an analysis on the question of infringement.

3.11 Prior Secret Use

In Australia, Section 181(d) of the "1990" Act states that a patentable invention is one which "was not secretly used in the patent area before the priority date of that claim by, or on behalf of, or with the authority of, the patentee or nominated person or the patentee's or nominated person's predecessor in title to the invention".

Furthermore, Section 9 of the "1990" Act sets out the circumstances where use on behalf of, or with the authority of the patentee or nominated person, or use by agents for a recognised purpose, will be the exception to "secret use" of the invention. These are the recognised purposes, inter-alia, reasonable trial or experiment only; a use occurring solely in the course of confidential disclosures; completely non-commercial purposes; any use by or on behalf of the Commonwealth, State and Territory. Secret use refers to secret use by the patentee himself.

Furthermore, secret use is the opposite of public use and prior secret use is not grounds for objection in the examination or in pre-grant opposition. Lahore suggests that the vital question will be whether the use has made the subject matter available to the public.(100) In Bristol-Myers Application(101) it was held that when the use of an invention has been put beyond the patentee's own control to prevent public discovery of the information, it is not secret, it is public. However, no explicit

provision is mentioned in Indonesia with regard to this matter.

3.12 False Suggestion and Obtaining

In Australian Law the doctrine of false suggestion under Section 138(3)(d) of the "1990" Act is often discussed in the same context as lack of utility. The false suggestion or representation could be found either in the specification or in the process of application. The doctrine will invalidate a patent if it is based on a false statement of theory. A false suggestion or representation may be determined from the invention in its fundamental aspect so that there can be no defence of the false suggestion or representation by indicating its relevance to one specific part of the specification. (102)

Presumably, Article 97(1)(a) of the Indonesian Patent Law could also be used for invalidating a granted patent which is obtained by fraud as such act is contrary to law public order and decency.

Furthermore, there is also a reason for a person who was actually entitled to apply to invalidate one's patent based on false granting. This could include the obtaining of a patent either innocently or by fraud.

Article 121(1) of the Indonesian Patent Law and Article 56(e) of the Implementing Regulation number 34 of 1991

provides that the invention may be opposed and revoked if it is given to a person other than the person who, pursuant to Articles 11, 12 and 13, is entitled to the invention. He/she may institute proceedings to the court seeking the complete return of the alleged invention and its title or partial return for common ownership.

The successful revocation of an invention does not necessarily invalidate the whole invention but affects only claims obtained by fraud.(103) Furthermore, the reasonable interpretation of the phrase "return for common ownership" presumably refers to a situation where a "joint patentee" who is seeking the return of its rights from a person who is not legally entitled.

Equivalent provision is also found under the Patent Act. Section 59(a) of the "1990" Australian Act gives statutory grounds for opposing the grant of a standard patent to a nominated person not entitled to the grant of a patent. Furthermore, where obtaining a patent is through fraudulent means, a patent may be revoked in accordance with Section 138(a) of this Act. Ricketson pointed out that at the opposition stage, the obtaining is done in Australia rather than outside.(104)

In the absence of doctrine of "sufficiency of description", and "fairly based", it seems that the requirements for patentability in Indonesia are less rigorous.

NOTES 3

1. Article 2 of the Indonesian Patent Law.
2. Section 18(1) of the Australian Patent Act.
3. Sections 6; 40-43 of the Australian Patent Act.
4. Article 51 of the Indonesian Patent Law and Section 59 of the Australian Patent Act.
5. Articles 97 and 121(1) of the Indonesian Patent Law and Section 138 of Australian Patent Act as a ground of revocation under the respective Act.
6. Baxter, J.W. and Sinnott, J.P., 1986. French Patent system contained in volume 2C; the Mexico's is in volume 2E and Switzerland's is in volume 2F.
7. Section 32 of the United Kingdom Patent Act 1949 made the test of novelty what was "known or used, before the priority date of the claim, in the United Kingdom". Phillips, Jeremy, 1990.
8. Ibid, Section 2(1) states that an invention shall be taken to be new if it does not form part of the "state of the art" . Section 2(2) defines "state of the art" to comprise "all matter (whether a product, a process, information about either, or anything else) which has at any time before the priority date of that invention been made available to the public (whether in the United Kingdom or elsewhere) by written or oral description, by use or in any other way.
9. The Industrial Property Advisory Committee (IPAC), Patents, Innovation and Competition in Australia, a report, August 29, 1984, p.5.
10. Terry, John, 1991, para 57-120, p.23,724.
11. McKeough, J. and Stewart, A., 1991, p.227.
12. Fysh, Michael, Q.C., Patentability, Rights Conferred by Patents ind Patent Licensing, paper presented at

the National Seminar for Police and the Judiciary on Enforcement of Intellectual Property Rights, Indonesia, September 27 - October 5, 1990 p.35.

13. Schedule 1 of the Australian Patent Act for prior art base.
14. [1968] All ER 536.
15. (1887) 4 RPC 407.
16. R.V. Patent Tribunal Ex Parte Lovens Kemiske Fabriks t19681 All ER 536 at 542; Bristol-Myers Co's Application (1969) RPC 146, 155; Harris & Rothwell (1887) 4 RPC 225 (CA).
17. Dennison Manufacturing Co v. Monarch Marketing System Inc. (1983) 1 IPR 431.
18. Tecalemit Application (1967) FSR 387; Bioglan Laboratories (Australia) Pty Ltd & Anor v. Crooks (1990) AIPC 90-636. For contrast argument under "1952" Act see Bristol-Myers Co's Application [1969] 146 where it was held that foreign specification held in private library was held to be published.
19. Acme Bedstead Co. Ltd v. Newlands Brothers Ltd. (1937) 58 CLR 689, 704.
20. Dalrymple's Application (1957) RPC and Re Wheatley's Patent Application (1984) 2 IPR 450.
21. [1956] RPC 87.
22. For similar reason, it is applied also in Acme Bedstead CD Ltd v. Newland Bros Ltd supra note 19.
23. (1862) 31 LJ Ch 457, 45 ER 1195 at 1200.
24. (1990) AIPC 90-670.
25. Van Der Lely (C) N.V. v. Bamfords Ltd (1963) RPC 61.
26. (1986) 6 IPR 545 (Federal Court of Australia).
27. HPM Industries v Gerard Industries (1957) 98 CLR

28. Ricketson, S., 1984, p.932.
29. (1980) 144 CLR 253; see also, Meyers Taylor Pty Ltd v. Vicarr Industries Ltd & Ors (1977) 137 CLR 228.
30. Griffin v Issaacs (1938) 12 AOJP 739; Wind Surfing International v. Petit v. Petit (1983) 3 IPR 449; R.D. Werner & Co Inc v. Bailey Alumunium Products (1989) AIPC 90 - 568, per Lockhardt J.
31. Warner (George) Laboratories Pty. Ltd. v Chempsray Ltd. (1967) 47 AOJP 2513, held that a cross reference was permisslble if it was contained clearly one of the references to the other or others.
32. (1990) AIPC 90-670, 36287-36288.
33. Article 97(1)(b) of the Indonesian Patent Law.
34. See definition of prior art base of this context in subparagraph (b)(ii) in Schedule 1 of the Australian Patent Act.
35. Merck & Co (Macek's Patent) (1967) RPC 157 at 163. For detailed discussion of testing prior claiming see Terry, John, supra note 10, para.60-560 - 60-670, pp.22,021-24,131.
36. Babcock and Wilcox's Application (1952) 69 RPC 224.
37. I.G. Farbenindustries A.G.'s Patent (1930) 417 RPC 289
38. Wilkinson Sword Ltd's Application (1970) RPC 42.
39. Dreyfus' Application (1927) 44 RPC 291.
40. Ricketson, S., supra note 28, p.958.
41. (1960) R.P.C. 75.
42. [1967] RPC 157 (PAT).
43. Ibid, at 63.

44. IPAC report, supra note i, p.63.
45. Longworth v. Emerton (1951) 83 CLR 539, 550.
46. IBM Position Paper on the Indonesian Patent Bill, 30th May 1989, paper hold bY writer.
47. [1982] RPC 247, 272.
48. Black's Law Dictionary, 5th edition, p.1363.
49. Fysh, Michael, Q.C., supra note 12, p.36.
50. Mebius, E. J., "General Conditions of Patentability", a paper given in a patent agent workshop, Jakarta, 27-29 November 1990, p.5.
51. Fysh, Michael, Q.C., supra note 12, p.36.
52. (1980) 144 CLR 253 at 292.
53. Terry, John, supra note 10, para.61-150, pp.24,603 - 24,604.
54. (1980) 144 CLR 253 at 293.
55. (1986) 6 IPR 545 at 564-572.
56. [1980] RPC 261 at 290.
57. [1967] RPC 479 at 494.
58. [1986] 6 IPR 545 at 565.
59. Ibid, at p.294.
60. For example, Wellcome Foundation Ltd v. V.R Laboratories (Australia) Pty Ltd (1981) 55 ALJR 55; Coopers Animal Health Australia Ltd v. Western Stock Distributors Ltd. (1986) 6 IPR 545; Rickie & Simpfendorfer v. M. J. Mc Grath Pty Ltd & Anor (1987) 7 IPR 120.
61. Washex Machinery Corp. v. Roy Burton & Co. Pty Ltd (1974) 49 ALJR 12 at 16; National Research Development Corp v. Commissioner (1959) 102 CLR 252

- at 254; Parks Cramer CO v. G W Thornton & Sons Ltd [1966] RPC 407 at 418 see also McKeough, J. and Stewart, A., supra note 11, pp.234-235.
62. Ricketson, S., supra note 28, pp.953-954; McKeough, J. and Stewart, A., supra note 11, p.235.
63. (1980) 144 CLR 253.
64. Acme Bedstead Co Ltd. v. Newland Bros Ltd supra note 17, at 704.
65. (1961) 35 ALJR 212 at 213.
66. See also Minnesota Mining & Manufacturing Co. v. Beiersdorf (Australia) Ltd. (1980) 144 CLR 253; Werner & Co. Inc. v Bailey Alumunium Products Pty. Ltd. (1989) AIPC 90 - 568; Dennison Manufacturing Co v. Monarch Marketing Systems Inc. (1983) 1 IPR 431.
67. McKeough, J. and Stewart, A., supra note 11, p.231.
68. Martin Engineering Co. v. Trison Holding Pty Ltd (1989) 14 IPR 330.
69. Williams v. Nye (1980) 7 RPC 62; Clayton Furniture Limited's Application (1965) AOJP 2303; Young's Application (1966) AOJP 1028; Unilever Limited's Application (1976) AOJP 531.
70. Du Pont Nemours & CO (Witsiepe's) Application (1982) FSR 303, 309-310.
71. (1930) 47 RPC 289.
72. Ibid, p.321.
73. Ricketson, S., supra note 28, p.957.
74. Articles 97(1)(a) of the Indonesian Patent Law.
75. Sections 18(1)(a)(b)(c)(d) of the Australian Patent Act.

76. Raleigh Cycle Co. Ltd v. H Miller & Co Ltd (1948) 65 RPC 141, at 162.
77. Lane Fox v. Kensington and Knightsbridge Electric Lighting Co [1892] 9 RPC 413 at 417.
78. Ricketson, S., supra note 28, p. 963; Camp v. Amalgamated Photo Finish Pty Ltd [1950] VLR 213 at 224-225.
79. (1907) 24 RPC 733.
80. Ibid, at 752-753.
81. Ibid.
82. (1986) 6 IPR 545, at 547.
83. Coopers Animal Health Ltd. v. Western Stock Distributors Ltd (1986) 6 IPR 545, at 572-573 following Minerals Separation North America Corporation v. Noranda Mines Ltd (1952) 69 RPC 81 at 95 and Norton and Gregory Ltd v. Jacobs (1937) 54 RPC 271 at 276-277.
84. Articles 30(i), (j), (k) of the Indonesian Patent Law.
85. For detailed requirement of description see Article 1(2) concerning the definition, Articles 18-20 concerning description of micro-organisms, Articles 22-23 concerning general matters of description.
86. Article 60(1) of the Indonesian Patent Law.
87. Articles 35 and 36 of the Implementing Regulation number 34 of 1991, the "prescribed period" means three month period with a possibility for an extension subject to Patent Office approval.
88. Ricketson, S., supra note 28, p.966.
89. Osram Lamp Works Ltd v. Pope's Electric Lamp Co (1917) 34 RPC 369; No Fume Ltd v. Frank Pitchford & Co Ltd (1935) 52 RPC 231.

90. [1976] FSR 424.
91. Ibid at 432.
92. See relevant discussion in chapter 2.
93. McKeough, J. and Stewart, A., supra note 11, p.236.
94. No Fume v. Pitchford (Frank) & Co (1935) 52 RPC at 236.
95. Articles 24-33 of the Indonesian Government Decree number 34/1991 as a ground for "fair basis" requirement.
96. (1971) 45 ALJR 123.
97. Ibid p.131.
98. Mond Nickel Co Ltd Application [1956] RPC 189 at 194; Hoofman La Roche & Co AIG v. Commissioner of Patents (1971) 123 CLR 529 at 538; Rehm Ltd v. Websters Security Systems (International) Pty. Ltd. (1988) AIPC 90-492 at 38-281.
99. McKeough, J and Stewart, A, supra note 11, p.237.
100. Lahore, J. et al, 1990, p.693.
101. (1975) RPC 127.
102. Le Raisior Apollo's Patent (1932) 49 RPC 1; Adhesives Pty Ltd v. A B Dansk Gaerings (1934) 55 C.T.R 523 at 545.
103. Article 98 of the Indonesian Patent Law.
104. Ricketson, S., supra note 28, p.972.

CHAPTER 4

APPLICATION AND OWNERSHIP OF PATENT RIGHTS

4.1 Application for Patent

As practiced, a patent for invention may be granted upon request. In this "chapter" would be better, the policy taken in both countries concerning "priority date" will be discussed. In Indonesia, an inventor needs to file an application in the prescribed form(1) accompanied with a complete specification. This application for a grant is to be made to the Patent Office. In addition, any administrative change to the filed application(2) should be made within three months from the initial filing date(3), accordingly, the official filing date will be the later "filing date".(4)

The Australian Patent Act provides for a patent application to be lodged with a provisional specification (normally filed in complete specification), which needs only a description of the essential features of the invention(5) in order to secure the priority date. Subsequently, a complete specification containing detailed information(6) must follow within 12 months(7). This suggests that the inventor may, within a certain period, amend an application which is fairly based on an earlier provisional specification, then the date of application will be dated back. Furthermore, the inventor has the

right to exclude others from filing applications for a patent for the same invention between the initial date of filing and the date on which the application is filed. (8)

The distinction between the Indonesian Patent Law and the Australian Patent Act in determining the "priority date" of a complete specification, which involves administrative change from a provisional application may result in inadequate protection for the genuine inventor against an opportunist who might take advantage of the negligence of other people to benefit himself, since the date on which the change has been filed is legally recognised as the filing date.

However, in practice, it will often happen that there is no difference between Indonesia and Australia concerning application for a patent with priority rights since the application is usually lodged in complete form. It should be noted that both Indonesia and Australia are signatories to the Paris Convention. (9) However, the "Patent Cooperation Treaty application" is only recognised in Australia. (10)

Both the Indonesian and Australian Patent system would and might grant patents to the first inventor of an invention or the first applicant filing a patent of application for the invention. (11) This reflects that patentability operates on a first-to-file basis.

The Indonesian Patent Law in its Articles addresses the problem of to whom the patent right should be granted where two or more people file applications separately for an identical invention. In such circumstances, the patent right would be granted to the applicant whose application was filed first (Article 38(1)). If such applications were filed on the same day, the applicants may, after receiving a notification from the Patent Office, decide who will be entitled to file the application within 6 months, otherwise such application will be lapsed (Article 38(2)). No equivalent provision exists in Australia.

Furthermore, the alternative first-to-file principle is the first-to-invent principle. It applies where two or more people file the applications for a patent for identical invention and operates so as to grant the patent to the person who invented it first. Obviously there are often practical difficulties in proving who is the first inventor. Nonetheless, the first-to-invent principle has been adopted by the United States, Canada and the Phillipines, though it is reported that Canada is considering jettisoning its system in favour of the application or first-to-file principle. (12)

4.1.1 Opposition and Examination of Application

In Indonesia, after fulfilling formal requirements in the law(13) and if the application has not been withdrawn, the Patent Office will publish the application in the Patent

Journal. The publication is made not later than 6 months after the receipt of the application, or 12 months if the application is filed with Convention priority. Article 51 of the Indonesian Patent Law states that during the period of 6 months following the publication, any person is entitled to file a written opinion or objection accompanied with the reasons. The possible grounds for opposition under the Indonesian Patent Law are (14):

- a. conditions about whether or not the invention can be granted a patent;
- b. whether it belongs to the category of inventions excluded by Article 7 of the Patent Law;
- c. whether an invention considered similar to the invention for which a patent is applied has earlier been given a patent;
- d. the person submitting the patent application is not entitled to the invention.

Furthermore, the Indonesian Patent Commission may, after receiving the applicant's "written defence" (if any) together with the "written objection", give a consideration to an examination (Article 51(4)). The Commissioner's decision may be appealed through the Patent Appeal Commission(15) but the decision is final.

The Indonesian Patent Law, in essence, requires that a request for a substantive examination must be made within three years of the official filing date(16) , but not before the end of the six-month public notification

period.(17) If the Commissioner is satisfied with the result of the examination, the patent will be granted(18), and a patent will be effective as from the date of its grant, and shall be retroactively valid as from the date of the receipt of the application.(19) However, if the examination resulted otherwise, then the applicant may request for an appeal regarding to substantive matter to Patent Commissioner and as noted earlier, the decision will be final.

On the other hand, in Australia, the procedure for examining complete specifications is set out in Section 44 of the Australian Patent Act. As in Indonesia, this involves the applicant applying for the examination of a patent request and specification. Alternatively, the Australian Patent Act under Section 45 also provides that the Commissioner to direct the applicant's request for an examination. Apparently, in Indonesia, since publication is held after the acceptance of application, thereby no immediate examination after acceptance will exist.

Examiners in Indonesia and Australia may send a copy of each report to the applicant.(20) According to Articles 62 and 63 of the Indonesian Patent Law, a standard examination will report on the following matters: (a) whether the invention satisfies registrability requirements such as novelty, inventive step and practical applicability; and (b) whether the specification contains any deficiency (Article 60).

By contrast, the Australian Patent Examiner might report upon the following matters: (1) whether the content of the specification complies with Section 40; (2) whether to the best of examiner's knowledge, the invention so far as claimed, meets the criteria of Section 18(1) that is whether the invention is both novel and non-obvious and other relevant matters as prescribed. (21) Apparently, the Australian provision is more restrictive.

Furthermore, in Australia, if the Commissioner is satisfied with the examination and no proper grounds found for objection, the application will proceed to registration, ultimately the application will be accepted. Notice of acceptance is advertised in the Official Journal (Section 53).

There is an opposition following the acceptance and publication of a patent before granted. Parties entitled to oppose are the Minister and "any other person", and this should be made within three months from the date of advertisement of acceptance. The possible grounds of opposition are as follows: (Section 59)

- (a) that the nominated person is not entitled to the patent.
- (b) that the invention is not a patentable invention because it does not comply with paragraph 18(1)(a) or (b).
- (d) that the specification filed in respect of the complete application does not comply with subsection 40(2) or (3).

Furthermore, under Section 60 of the Australian Patent Act, the Commissioner hears the opposition, and may consider any ground on which the patent (standard patent) may be opposed, whether relied upon by the opponent or not (Section 60(3)). The Commissioner's decision is subject to appeal to the Federal Court (Section 60(4)).

As noted earlier, any decision arising from examination will only be appealed to the Patent Commissioner.

In addition, the Australian Patent Act goes further by providing re-examination to determine whether the invention lacks novelty or inventiveness. This is actually a kind of re-opposition of an invention. Apparently, no corresponding provision exists under the Indonesian Patent Law.

It is of importance to note that the Australian procedure following the application of a patent is different from the Indonesian. While the system of opposition in Indonesia is undertaken before an application is examined, in Australia, it is practised after examination. However, since it is possible to notify the Australian Patent Commissioner that the patent in question involves novelty and inventive step prior to the examination (Section 27), the different approaches in each legislation will not in practice differ.

4.1.2 Acceptance and Publication

As noted earlier, in Australia, when the Commissioner is satisfied that there is no lawful grounds for objection to an application and complete specification, the result is acceptance. (22) The application is then published in the Australian Official Journal of Patents, Trademarks and Designs, and documents associated with the application will be open to public inspection (23) if not otherwise restricted.

In Indonesia, the acceptance and publication is conducted after the opposition procedure. However, in the matter of publication to public inspection, both legislation regulate similarly. In addition, there are some inventions which will not be published due to certain protection, for example, inventions relating to "associated technology" (Chapter 15 of the Australian Patent Act). In Indonesia, the restriction may be imposed on inventions related to national defence as stipulated under Article 52 of the Indonesian Patent Law. Although the wording is different, the basic idea is similar.

4.1.3 Revocation

Under the Indonesian Patent Law, any person may seek the revocation of a patent on the grounds that the patent does not comply with registrability requirements or the patent is the same as other previously granted patents (Article

97).

The revocation could also be incurred in the situation where the patentee does not work his patent within 48 months or fails to fulfil the annual fee (Article 94). However, there is an exemption to revocation if the patent is related to pharmaceutical, provided there is a Ministerial approval, as stipulated in the Implementing Regulation number 34 of 1991 under Sections 65 and 66. Furthermore, under Article 96 there is another situation where the patent might be revoked either wholly or partially, when the patentee surrenders his patent. The revocation may also be sought by means of a counter-claim in infringement proceedings and misrepresentation. (24)

In addition, as revocation abolishes all legal consequences arising from the grant of a patent (Article 100), however, the rights of licensee to use the licence is not affected by this revocation, but the payment of royalty is no longer valid (Article 102(2)).

In Australia, the Minister or any other person may seek the revocation of a patent on any ground set out in Section 138 of the Australian Patent Act. The grounds are as follows: (a) that the patentee is not entitled to the patent;

- (b) that the invention is not a patentable invention;
- (c) that the patentee has contravened a condition in the patent;
- (d) that the patent was obtained by fraud, false

- suggestion or misrepresentation;
- (e) that an amendment of the patent request or the complete specification was made or obtained by fraud, false suggestion or misrepresentation;
- (f) that the specification does not comply with subsection 40(2) or (3).

In certain respects therefore, the grounds for revocation under Indonesian Patent Law are narrower in the absence of point (f) as mentioned above. However, as Australia does not have a "non-working" clause which refers to time (48 months), the Indonesian position concerning revocation is much more rigid.

The Australian Patent Act also provides a number of circumstances where the Commissioner may revoke a patent, namely where the patentee has offered to surrender the patent (Section 137); where in relation to patent improvement or modification, the patentee made his earlier granted patent revoked (Section 82); where there is a non-working patent after being compulsorily licenced (Section 134); where there is an adverse report following re-examination. The later qualification affects only to claims being adverse-reported.

Another significance between each country's provision is; there is no corresponding provision in the Indonesian Patent Law relating to the improvement of a patent as understood in Australia. Furthermore, the approach taken for revocation following compulsory licence by each country is slightly different. In Indonesia, "non-working"

means a patent has not been worked at all in the territory within the prescribed period since granting. In contrast, in Australia, "non-working" means the patentee does not work his patent adequately within the prescribed period after being compulsorily licensed.

4.2 Ownership of Patent Rights

Indonesia and Australia have set out a range of persons to whom the right to an invention should be granted. Article 12 of the Indonesian Patent Law states that unless proven otherwise, the inventor is the person or legal entity who first applies for the patent.

Moreover, Article 11(1) of the Indonesian Patent Law specifies that the entitled holder of the rights can be the inventor or inventors; a person receiving title from the inventor/inventors; others deemed to be eligible according to court decision.⁽²⁵⁾ Article 11(2) of the Indonesian Patent Law provides for a situation which often arises in Australian Law. It provides for an invention which is created by several persons, who shall be jointly entitled to the invention. In Australian terms, Article 11(2) of the Indonesian Patent Law vests the rights to apply for a patent to what might be termed as joint inventor.

The Australian position concerning "person who may apply for a patent", operates slightly differently compared to

the Indonesian. Section 29 of the Australian Patent Act provides no limitation on "person" who may apply for a patent. The term "person" may include a body of persons whether incorporated or not (Section 29(5)). However, apart from the possibilities that any person may, on the inventor's behalf, apply for a patent, Section 15 classifies "person" potential to be granted a patent as follows: the inventor; those entitled to have patent assigned to them, (employer); those who derive title to the invention from either of the above persons; the legal representative of a deceased of the three classifications mentioned earlier. Furthermore, the nominated persons mentioned above are those appointed by the applicant to whom the patent is to be granted, where such appointment should be mentioned in the complete specification.

Instead of nominated persons stated under Section 15, the "1990" Act also provides other categories of persons who are deemed as an eligible person. They are persons who have successfully opposed an application (Section 33(1)); the court has declared in a proceeding relating to a patent (Section 34); those whom the Commissioner has declared eligible to be granted the patent following the revocation (Section 35): or a person who has satisfied the Commissioner as an eligible person instead of the nominated person in relation to a rejected application made by another (Section 36(3)). The term "inventor" in the "1990" Act would remain the same in effect as the term "actual inventor" in the "1952" Act, which excludes a

person merely importing an invention from abroad. (26)

Furthermore, Section 15(2) of the "1990" Act states that a patent may be granted to a person whether or not he or she is an Australian citizen. This Subsection facilitates the reciprocal arrangement concerning the whole obligation of the Paris Convention for a national equal treatment. (27) The equivalent provision is intrinsically stipulated under Article 28 of the Indonesian Patent Law. In addition, as in Indonesia there are also some possibilities that joint inventors may apply and hold a patent jointly. (28)

4.3 Co-ownership

It should be noted that neither the definition of the Article 11(2) of the Indonesian Patent Law nor the elucidation of its law have made any clarification as to whether joint-inventors in the absence of the agreement may independently exercise their patent of invention without accounting to another.

By contrast, the Australian "1990" Patent Act elaborately sets out the mechanism for dealing with the co-owners' interest, under Sections 16 and 17. If a patent is granted to two or more persons, unless agreed otherwise in the contract, it will be shared equally among the patentees. In other words, each co-owner is in the position of a "tenant in common". (29) The likely effect is that they can

and may individually exploit the registered patent without accounting to one another. (30) In addition, a co-owner is not entitled to grant a licence or assign an interest without consent from the other co-owner(s). (31) As a consequence, each of the joint patentees is not allowed to permit other people to work the registered patent in return for royalty on the licensing basis. However, this does not mean that the joint-patentee cannot enter into agreement on the agency basis for making money. This legal substitution is recognised and well exemplified in Howard & Bollough Ltd v. Tweeddaley Smaley (32) as follows:

"...to be clear that the defendant, in the exercise of the rights which he possesses by virtue of two provisoes, is entitled to employ his own servants and agents in the manufacture and in the sale of article according to the patents; and, so long as he does that, he and his servants and agents will have the benefit of this protection. But on the other hand I hold that he was not, and is not, entitled to grant licenses either to manufacture or to use". (33)

The significance of this is that while on agency basis, the co-patentee confers his rights to other people to work the patent for and on his behalf in return for a commission, in contrast, in the licensing basis, the licensee works the patent by and for his own benefit, the licensor's received reward is formed in an agreed royalty. Furthermore, the agreed royalty payment, in essence, reflects a different economic dimension as when it is paid in the form of commission. This means that the former payment represent the value of technology being licenced. (34) In other words, it represents the price

being paid by licensee for what he gets and the value being received by licensor for what he offered. No such exchange of technology against economic value is represented in commission. Another reason is that the right given to each co-patentee is limited to right of exploitation and does not include right to assign any interest inherent in a patent without any consent from other co-patentees.

It is suggested that there would be advantages for Indonesia in clarifying its approach to the rights of co-ownership in the absence of an agreement noted earlier, by which any uncertainty relates to the exploitation of co-patentee's rights will be removed. The Australian approach is a useful starting model for reform.

In addition, to furnish the transfer of rights from co-owner to a third party, Section 16(2) of the Australian "1990" Patent Act regulates that any sale of a patented product, or a product of a patented method or process by a co-owner, will give the purchaser, and the person claiming through the purchaser, a right to deal with the product as if it had been sold by all the patentees.⁽³⁵⁾ When a dispute arises between the co-owners, for example on the matter of:

- (a) a dealing with the patent or an interest in it;
or
- (b) the grant of licenses under the patent; or
- (c) the exercise of a right under Section 16 in
relation to the patent;

each co-owner may apply to the Commissioner of Patents for directions (36) and after hearing the parties involved, the Commissioner of Patents may come to a decision which is limited and consistent with the agreement contemplated by the parties concerned. (37) Furthermore, the decision is reviewable in the Administrative Appeals Tribunal. (38) Accordingly, as there is no clear explanation that has been given on the right of joint patentee, the subsequent provisions contained under Sections 16 and 17 of the Australian Patent Act have no equivalent in Indonesia.

4.4 Invention in the Course of Employment

Article 13 of the Indonesian Patent Law indicates possible beneficiary of the patented invention:

- all rights may belong to the employee when it expressly stated in the employment agreement;
- all rights may belong to the employer where the employee is using the data or facility of the employer, though there is no requirement in the employment agreement to make any invention.

Although the invention may belong to the employer none of the provisions can prevent the employee-inventor (as the actual inventor) from putting his name on the Patent Certificate though the right might be held by others (e.g. employer) (Article 13(3)). In addition, even when the ownership of patent is transferred to another third party, the inventor's name would still remain in the Patent

Certificate (Article 75). Furthermore, it is explained that this only related to what might be termed as "moral rights." (39) In other words, the question of ownership is not determined solely by the name manifested on the Patent Certificate. Therefore, the assurance of ownership might be of concern to the existing patent holder.

As regard to employee and employer relationship, there is no provision in the Australian Patent Act "1990" explicitly dealing with an employer's right to invention made by its employee. In addition Section 15(b) of the "1990" Act only provides a class of person entitled to an assigned patent. These days an invention commonly arises through good preparation or research and development where this possibility is usually conducted by a corporation. (40) Therefore, in determining the right arises from the invention, the first question to be ascertained is whether the inventor is genuinely an "employee" in the relevant sense or he is described as an "independent contractor". The significant of this is that if he is found as an "independent contractor" then he is entitled to apply for a patent as an "actual inventor". If, however, he is found as an employee, then the basic position will be determined from contractual agreement between employee and employer which is usually formed either explicitly or implicitly as will be illustrated below.

4.4 1 Employee and Independent Contractor

In answer to the question of who is the employee (as the term "servant" was used in 19th century) and who is the independent contractor, it is suggested to focus upon the availability of contract of service, for example it may indicate that if the employer (i) has the power to select the employee; (ii) has capacity to determine wages and other remuneration; (iii) has authority to control the manner in which the work was performed; or (iv) has power to suspend and dismiss(41), the person is positioned as employee. For this instance, the exposition is illustrated in Short v. Henderson.(42) In this case, it was held that if the person was treated in such a way mentioned above, he performs as, in fact, a servant rather than an independent contractor. Another test used by the Courts was the integration test. The court would determine whether the activity carried out by the employee was core or ancillary to the business, this often refers as an "integration into the business approach". In this context, if it is ancillary, then the employee would fall into the category of independent contractor. An example between "employee" and "independent contractor" is found in Stephenson Jordan & Harrison Ltd v. MacDonald & Evans(43) as per Denning J.:

"..As my lord has said it is almost impossible to give a precise definition of the distinction. It is often quite easy to recognise a contract of service when you see it, but very difficult to say wherein the difference lies. A ship's master, a chauffeur, and a reporter on the staff of a newspaper

contributor are employed under a contract for services. On feature which seems to me to run through the instance is that, under a contract of service, a man is employed as part of the business and his work is done as integral part of the business; whereas under a contract for services his work also done for the business, is not integrated into it but is only accessory to it". (44)

In most instances the limitation imposed in the "integration into business approach" as illustrated in easy to oversee the mentioned case might not be especially in practice, but it is noteworthy that the nexus between employer-employee relationship will primarily rely upon the employee's activity.

The third approach, the "whole content" of the relationship, which is also commonly used by the court, was enunciated in Beloff v. Pressdram. (45) The court said:

"..apart from an electric typewriter, which the plaintiff has at home, the plaintiff does not provide any equipment of her own which she uses for her work. All the Observer's resources are available to her to carry out her job. She has an office in Observer building, and a secretary provided by the Observer. She does not use her own capital for the job, nor is her remuneration affected by the financial success or otherwise of the Observer. In addition to PAYE deduction, deduction for the pension scheme to which she belongs is also made by the Observer from her salary. "

This case being actually a copyright case, after consideration of all the back-up factors which the employer had given to the employee, the court classified the plaintiff as a servant of the organisation. Therefore, the rights belonged to the employer.

Approaches contained in the cases above, have been referred to in English cases but there is no doubt that it would also be applicable in Australia.

4.4.2 Making Invention as a Duty to Perform

Furthermore, as mentioned earlier, on the question of ownership between employee and employer, beside the contractual agreement, the rule must be made according to general common law and equity principles.

To protect legal interests on employee's intellectual activities, employers commonly use a method involving an express "pre-assignment clause". In this case, the employee has promised to assign to his employer any right of his future property. This usually includes the non-disclosure provision of invention's detail. However, it should be strictly construed in view of avoiding any contravention with the element of "restraint of trade". In Electrolux Ltd v. Hudson(46), it was held that Justice Witford refused to enforce the pre-assignment clause "against the defendant who worked for the plaintiff's company as a store keeper". The facts were broadly as follows: The defendant while at home with using his own material, invented an adaptor for use with a vacuum cleaner. Subsequently, he applied for a patent and assigned the right of invention to a third party. In accordance with this fact, the learned judge held that the condition of clause in question was drawn too generally.

since at the time he was hired, the employer had classified him as a non-inventive employee, thus the clause in question was regarded as unenforceable. Conversely, for example, an employee is hired as an inventive worker to either create a specific thing or solve a specific problem and although there is no specific agreement, the invention arising thereof implicitly belongs to the employer. (47) This notion is reflected in what Cornish cited from Lord Simon as the corporate capitalism situation. (48)

4.4.3 Fiduciary Duty

An intimate relation between the invention and the type or nature of the employer's business is not only of importance, but also creates a fiduciary duty for an employee to his company. (49) In British Syphon Co Ltd v. Home Wood (50) where the defendant's position was in charge of designing and developing for plaintiff's company. The defendant had informed his employer that he had invented something, but there was no active step taken by the company. Subsequently after the employment ceased, he developed his idea and applied for a patent. In this case, the court found that defendant was under the duty to give plaintiff the best benefit of his advice in any case related to plaintiff business whether or not such advice concerned problems specifically imposed on him (employee). Thereby, this was regarded as being part of his overriding obligation of good faith and trust to the interest of his

employer.

Similarly, in Triplex Safety Glass Ltd v. Scorah (51) where the defendant was employed as an assistant chemist, inventing an "improved adhesive", the court held that he was a trustee of the invention for employer notwithstanding patent applied for and issued after leaving employment. In this case the judge adopted an unusual approach whereby the express clause in question in the employment contract was found void as contravening with the restraint of the employee's trade activity. However, other implied obligation imposed by the court is, in effect, exactly the same that gives favour to the employer. (52)

In addition, the category of the duty of fidelity of employee is not limited as to occupation or profession. In practice, it may often include directors or managers of the company; in some circumstances, it goes further by including high-ranking executives. (53) These kinds of employee have a fiduciary duty not to compete with their employers. The judicial authoritative example for fiduciary duty of director is found in Worthington Pumping Engine Co v. Moore (54), where the inventor was the general manager of the United Kingdom branch of an American company. After consideration of the employee's duties, the court decided that:

"..The requirements of customers and the method of meeting new wants and demands was the subject of frequent communications between them, and I think it

is beyond question that it was part of the Defendant's duty to communicate and consult with the head office about any modifications and alterations in construction required to suit the demands of customer, and to offer such suggestion as might occur to him as advantages to the plaintiff corporation in relation to the business he controlled." (55)

Accordingly, the court held that the employee's position was regarded as the company "alter ego" holding a special relationship on trust of the security - within the company business. Therefore, in response to the doctrine of good faith of the employee, the court allowed the employer to retain the right to an invention which had been developed by the employee.

In contrast, in Selz (Charles) Ltd Application (56), the defendant was employed in management and finance within the business of plaintiff. In this case, in fact, he could be classified as non-inventive worker. Therefore, it was held that the invention made by the employee, though related to plaintiff's business was not proved to be derived thereof and was not part of a specific assignment to him. Accordingly, the employer has no right to invoke the invention. (57) In other words, a feature derived from the principle of fiduciary duty is not made definitive to the court. It depends primarily upon the nature of the duty. However, with reference to the restriction under Article 13 of the Indonesian Patent Law noted earlier, the court may be reluctant to apply equitable principle as understood in common law described above.

4.5 Obligation of Employee and Patent Process

During the period of employment, employee-inventor owes a fiduciary duty to his employer when the invention is being developed. The employee is obliged to keep confidential any information about the work at any stage until the filing of the patent application. In addition, though by applying a patent will, through the specification, indirectly disclose the aspect of the invention, however, the employee-inventor will still be obliged to maintain his duty of confidence regarding the employer's unpatented "trade secret". (58) This duty implicitly imposes the employee to serve his employer on equitable obligation in good faith, even in the absence of any contractual agreement. (59)

In addition, this fiduciary duty also encompasses a duty of confidentiality. This duty may be breached by any misuse of a "confidential information" (60), regardless of whether it is during the course or after the employment ceased.

Unlike Australia, in Indonesia, this duty of confidentiality for private as well as government official relationship has not been further developed. No specific legislation exists providing protection against unauthorised use or disclosure of confidential information and no effective interlocutory relief is available (61), though based on provisions of Civil Code, freedom of

contract is recognised. (62) Thereby, as a prevention, in the private sector, it is suggested to incorporate this duty in an explicit contractual agreement. However, in the care of government officials, the government has given attention by construing special provision as provided under Article 45 of the Indonesian Patent Law which relates implicitly to the duty of confidentiality, which is as follows:

An official of the patent office or a person who due to his assignment works for and on behalf of the patent office, is deprived of the right to file an application for a patent, obtain a patent or by whatever means secure the right or hold rights relating to patents, so long as he is still bound under active service up to one year after [he has] commenced receiving a pension or has stopped at the patent office for whatever reason, except where the patent ownership has been obtained by inheritance.

Likewise, the Australian Patent Act imposes similar restrictions on Patent Office Officials. (63) However, the provision does not apply to a blanket restriction on patenting. Therefore, the Indonesian position is stricter than the Australian's. (64)

In both countries, the intention behind offering special protection in the public sector as contained in both countries is to safeguard against possibility of misuse of confidential information (corruption). Nevertheless, in Indonesia as in Australia, there are exceptions and confidential information may be disclosed before the proper authorities. (65)

Australia, apparently has gone further than Indonesia in regulating matters on protection of confidential information(66), however, as the discussion will emphasise on the comparison of patent system in both countries, this matter will not be further discussed.

4.6 Remuneration

It is further stated that the Indonesian Patent Law makes an effort to give reasonable reward to the employee-inventor though the patent invention itself would be transferred to the employer. (67) The reward might be payable in many ways, such as lump sum, percentage, bonus, a combination of those thereof, which should be agreed upon parties concerned. (68) In case of a dispute concerning the amount of the reward, Article 13(5) of the Indonesian Patent Law directs the parties to submit the application through the Court in pursuing a reasonable reward for the employee-inventor. In this matter, Indonesia might be in line with growing worldwide trends toward legislation that compels an employer to provide an employee-inventor with specific compensation for a patentable invention. (69)

The intention of providing an employee-inventor reasonable rewards in line with a number of theories in justifying a patent system which were identified by Fritz Machlup and Edith Penrose, namely the "natural law" theory, the "reward-by-monopoly" theory, the "monopoly-profits-

incentive" theory, the "exchange-for-secret" theory, and this has been discussed in the previous chapter. (70)

On the other hand, there is no Australian statutory provision in the "1990" Act regulating the rights and obligations of an employer and employee to an invention made by the employee. In other words, if the invention is properly of the employer, the employee is not entitled to anything. (71) The 1984 Report on Intellectual Property Advisory Committee on "Patents, Innovations and Competitions in Australia" recommended that the desirability of introducing a scheme giving rights to employee inventors be further studied. (72) It should also be noted that 34 other countries including West Germany, France, the United Kingdom, Japan, Canada and Sweden now operate statutory systems giving rights or rewards to employee-inventors. (73) The Indonesian provisions have strong parallels with the United Kingdom Patents "1977" Act, where the employer is the owner of the invention, the United Kingdom "1977" Patents Act provides for "compensation" for employees who have invented profitable invention. The term under the Act is "outstanding benefit" to the employer. (74) The Act provides a scheme for determining appropriate compensation for the employee. (75)

In comparing the rewards for employee-inventor in Indonesia and Australia, it is surprising that while Employee Unions in Indonesia are not as strong as their counterparts in Australia, they are satisfied with the

"employee-inventor reward" provisions contained in the Indonesian Patent Law.

NOTES 4

1. Article 27 of the Indonesian Patent Law, the request has to state the name of the applicant or his agent and any other data concerning him and the name of the invention; Article 28, application filed by inventors not resident in Indonesia must be filed by a patent consultant registered at the Patent Office acting as a proxy for the inventor; If the filed specifications are in foreign languages other than English, the Patent Office may require the document to be translated into English. Articles 4 and 5 of Indonesian Government Decree no.34 of 1991.
2. Article 34(1) of the Indonesian Patent Law concerning the amendment of an application which refers to Article 30.
3. Article 34(2) of the Indonesian Patent Law.
4. Article 35 of the Indonesian Patent Law, states "if there are defects as referred in Article 34, the date of the receipt of an application for a patent shall be the date of the receipt by Patent Office of the material by which remedies defect."
5. Section 40(1) of the Australian Patent Act.
6. Section 40(2)-(5) of the Australian Patent Act.
7. Section 38 of the Australian Patent Act.
8. McKeough, J. and Stewart, A., 1991, p.206.
9. See detailed discussion in Ricketson, S., 1984, pp.1030-1033; Terry, John, 1991, para.45-850, p.22, 144.
10. See discussion in chapter 1, concerning the advantage gained as member of "PCT".

11. Articles 12(1); 38(1) of the Indonesian Patent Law and its equivalent under Sections 30 and 43 of the Australian Patent Act
12. Dunner, Donald R., "First to File: Should Our Interference System be Abolished?" Journal of the Patent & Trademark Office Society, v.68, no.11 1986 pp. 561-566.
13. Articles 29-31 of the Indonesian Patent Law.
14. Article 51 in conjunction with Article 48 of the Implementing Regulation number 34 of 1991 {Elucidation}.
15. Article 68 of the Indonesian Patent Law.
16. Article 55 of the Indonesian Patent Law.
17. Article 56 of the Indonesian Patent Law.
18. Article 62 of the Indonesian Patent Law.
19. Article 66 of the Indonesian Patent Law.
20. Article 60 of the Indonesian Patent Law; Section 27(2) in conjunction with Section 212 of the Australian Patent Act.
21. See the requirement under Regulations 3.18; 3.1(2)(e) or (h) (concerning prescribed document and patent application) or 3.11 (concerning making divisional applications). Section 51 (concerning the refusing of certain inventions); 18(2) (concerning patentable inventions); Section 64(2) (concerning the granting patent for multiple application).
22. Section 49(3) of the Australian Patent Act.
23. Sections 53-58 of the Australian Patent Act.
24. Revocation as of counter-claim is not expressly stipulated under the Indonesian Patent Law, but since counter-claim is permitted under the Code of Procedure, this legal procedure will be applied as

well in the patent case. See the Code of Procedure (HIR), Article 132.

25. Article 11(1) in conjunction with Article 121(1) of the Indonesian Patent Law.
26. Ricketson, S., 1984, p.882.
27. Articles 2 and 3 of the Paris Convention; World Intellectual Property Organisation (WIPO), Background Reading Material on Intellectual Property, 1988, pp. 50-52.
28. Sections 31 and 63 of the Australian Patent Act.
29. Section 16(1) the Australian Patent Act .
30. Section 16(b) of the Australian Patent Act.
31. Section 16(c) of the Australian Patent Act.
32. (1895) 12 RPC 519.
33. Ibid at 529 per Chitty J.
34. McKeough, J. and Stewart, A., supra note 8, p.414.
35. See Ricketson, S., supra note 26, pp.1012-1013, for a similar discussion made under Australian Patent Act "1952".
36. Section 17(1) of the Australian Patent Act.
37. Section 17(4) of the Australian Patent Act.
38. Section 224(1) as one of the administrative authorities of the Commissioner of Patent.
39. Elucidation of Article 13(6) of the Indonesian Patent law.
40. Phillips, J. and Hoolahan, 1982, p.3.
41. Saxby, Stephen, in Phillips, J., 1981, p.116.
42. (1946) 62 TLR 427, per Lord Thankerton.

43. (1952) 69 RPC 10.
44. Ibid at 22.
45. (1973) 1 All ER 241 at 247, c/f McKeough, J. and Blakeney, M. L., 1987, p.102.
46. (1977) FSR 312.
47. Sterling Engineering Co Ltd v. Patchett (1955) AC
48. Cornish, W.R., 1989, p.177.
49. Creighton, Breem & Stewart, Andrew, 1990, p.135.
50. (1956) RPC 225.
51. (1938) 55 RPC 21.
52. McKeough, J. and Stewart, A., supra note 8, pp.240-241.
53. Creighton, Breem & Stewart, Andrew, supra note 49, p.135.
54. (1903) 20 RPC 41,46.
55. Ibid at 46.
56. Selz (Charles) Ltd (1954) 71 RPC 158.
57. Ibid.
58. McKeough, J. and Stewart, A., supra note 8, p.245.
59. Bents Brewery Co. Ltd v. Hogan [1945] 2 All ER 570.
60. McKeough, J. and Stewart, A., supra note 8, p.86.
61. The possible sanction for any breach of confidence is available under Indonesian Criminal Code, Article 322; However, since only few cases are reported in this matter in Indonesia, it is difficult to judge what level has been achieved in prosecuting claim for breach of confidence.

62. Article 1338 of the Indonesian Civil Code; Civil Proceedings may be brought to require performance of specific provision of a contract relating to confidentiality. It is also possible to secure compensation for breach of contract; see also Article 1365 of the Indonesian Civil Code.
63. Section 183 of the Australian Patent Act.
64. See also related provisions concerning the confidential information under Articles 46, 52(2) of the Indonesian Patent Law.
65. See Section 24(2) of the Australian Patent Act, as well as Article 52(4) of the Indonesian Patent Law.
66. For further discussion see McKeough, J. and Stewart, A., supra note 8, chapter 4, pp.89-92.
67. Article 13(3) of the Indonesian Patent Law, in the elucidation further stated that reward means a compensation concerning the economic benefit derived from the invention made by the employee-inventor.
68. Article 13(4) of the Indonesian Patent Law.
69. Baxter, J. W. and Sinnott, J. P., 1986, v.2, para.56.1.
70. See chapter 1 for related discussion.
71. McKeough, J. and Stewart, A., supra note 8, p.243.
72. Commonwealth of Australia, Report of Industrial Property Advisory Committee, Canberra, 1985, p.53 and dissenting statement by Lamberton, D.M. Prof., point C, p.79.
73. Ibid, p.51.
74. Section 40(1) of the United Kingdom Patent Act "1977" see Phillips, Jeremy 1990.
75. Aldous, W, 1982, paras 3.52-3.59, pp.57-60. What constitutes outstanding benefit is not defined other than to indicate, among other things, the size and

nature of the employer's undertaking: Section 40(1)(a) of the United Kingdom "1977" Act. As to the factors to be considered in determining "the fair share of the benefit" for an employee, see Section 41(4) of the United Kingdom "1977" Act.

CHAPTER 5

DURATION AND EXPLOITATION OF PATENT RIGHT

5.1 Duration of Patent Protection

In Indonesia, a standard patent is normally granted for 14 (fourteen) years from the date the application is received(1); and a simple patent is protected for period of 5 (five) years from the date of granting a certificate(2) Unlike a simple patent(3), the period of monopoly right given for a standard patent can be extended for another 2 (two) years(4) under certain conditions. However, there are some circumstances where the duration of a certain invention (standard patent) might be shortened by postponing the process of examination. Article 8 of the Indonesian Patent Law stipulates that:

- (1) By a Presidential Decree the granting of a patent for a certain invention, both in the form of a process and product, may be postponed for a period of not more than five years, on condition that the decision shall not apply to the following:
 - a. an invention which at the time [of the decree] already has a patent;
 - b. an invention which at the time of the issuance of the Presidential decree is eligible for a patent on the basis of a priority right.
- (2) After the expiry of the time of the postponement as referred to in paragraph (1) above, an application for a patent shall be immediately

announced, and a substantive examination conducted following the expiry of the period of time of the announcement as stipulated in this Law.

This provision clarifies the policy on how patent law is to be implemented in Indonesia, which in fact places a strong emphasis on balancing the encouragement of personal endeavour against protection of the interest of the Indonesian nation as a whole, particularly with regard to the effect on industry and economic development. (5) With this view, the Indonesian Government designed a type of safeguard mentioned above which might be quite unfamiliar to Australian practices. The postponement will not extend to applications for a patent with a priority right, presumably in order to facilitate the reciprocal arrangement concerning the whole obligation of the Paris Convention for a national equal treatment.

In addition, such a provision may only be enforced when a patent is being or about to be processed. An example of the circumstance stipulated in Article 8(2) is when a postponement of five years has expired, the period of patent protection - fourteen years - will be shortened to nine years. As there exists the possibility of abusing this power, the legislation provides that the grant of decision could only be made by the President of the Republic of Indonesia, providing there is advice from the Minister of Justice. As the postponement could be imposed to any type of patentable invention, the Elucidation suggested that this provision be a very rare occurrence in

order to avoid criticism of undue government interference in patent right. No equivalent provision would seem to exist under the Australian "1990" Act.

The Industrial Property Advisory Committee in its Report on Patents, Innovation and Competition in Australia, considered, inter-alia, the issue of the duration of a patent. And as only a minority of two members of the Committee supported the reduction of the term from 16 years to 10 years (6), it was concluded that the Committee did not accept the proposed change. (7)

In Australia, a standard patent is granted for 16 (sixteen) years, normally from the date that the complete specification of the patent is lodged. (8) A petty patent, after having undergone a limited examination procedure, is accepted for an initial period of 12 (twelve) months but may only be extended for further period of 5 (five) years. (9)

There is no obligation in terms of protection under the Paris Convention, thereby most of the existing patent laws regulate a fixed duration for patents subject to national interest. For example in the United Kingdom, a patent is granted for 20 years from the date of application (10); in the United States, 17 years from that date. (11) Japan has a 15 year term of protection. (12)

Under the Indonesian Patent Law, the two-year extension

period is applied on any standard patent, and this is only obtainable subject to the following conditions:

- (a) the request must be filed in writing not earlier than twelve months and at least six months prior to expiry of the patent (Article 43(a));
- (b) the patent holder shall submit satisfactory evidence to the patent office, that:
 - the earnings gained from the application or use of the patent are not sufficient to cover all the costs of the research and development which produced the invention for which the patent has been granted (Article 43(1) (b) (1));
- (c) the patent holder shall submit satisfactory evidence to the patent office, that:
 - the patent has already been applied or used continuously in Indonesia and will continue to be applied or used in Indonesia for export purpose (Article 43(1) (b) (2)).

The first condition, which is also reflected in the Australian Patent Act(13) is related to the sufficient period for the Patent Commission to scrutinise the application before giving an extension.

The second condition, that a monopoly granted through a patent should give the patentee the opportunity to recover all expenses attributable to the development of an invention such as cost of research and development is philosophically reasonable. It should be noted, that though the cost of research and development is not clearly defined by the Indonesian Patent Law in that the cost of unproductive research is not dealt with, it is fair to say that as in Australia, the cost of unproductive research

would be admissible. In Sanofi's Patent Extension (14) Fullagar J. likened the work undertaken by the large pharmaceutical companies to oil exploration where much effort may be required before any return is obtained. (15)

Unlike Indonesia, which assesses application for extension through adequate remuneration during the monopoly period, Australia, under the "1952" Act (a predecessor of the "1990" Act) takes the adequate remuneration assessment after a court is satisfied that the "nature" and "merits" of the invention has benefited the public. Thus, in Indonesia, it is necessary for the patentee to reveal his financial position in relation to his invention during its entire life, purportedly to meet the reasonable justification of the Indonesian Patent Commission.

Given very little explanation under the Indonesian Patent Law, it might be difficult for the Indonesian Patent Office to make an assessment of the applicant's accounting evidence showing that he/she is not adequately remunerated yet, so problems that existed under the "1952" Australian Patent Act (16) would also arise as well in Indonesian practices.

One problem might involve a patentee who holds a number of patents which are interrelated. In this case, the quantification of profit may be complicated as it is impossible to distinguish between income derived from individual patents. Accordingly, the court will assess the

total net profit of all the patents as the net profit of the patent in question. (17) Another difficulty is when the patent in question is associated with trade secrets or know-how. In this situation, an assessment was made by distinguishing the profit obtained by merely manufacturing the invention had the patentee not possessed the patent from the profit made by the patentee. (18) Nevertheless, the problem of apportionment of receipt and expenditure still existed.

Furthermore, it would be useful that the applicant fully disclose on earnings from equivalent foreign patents, as well as those from licensing, when there is any. (19)

Another problem could arise from marketing strategy, when overseas marketing results in postponed exploitation of an invention by a patentee in the territory where patent was applied for. In such circumstances an extension may not be granted. However, if the patentee's invention represents a sophisticated technology, and needs time to build market acceptance, it presumably is accepted that there are grounds for delay of exploitation. (20)

Furthermore, another factor which also constitutes inadequate remuneration by postponement is time needed to fulfil government restrictions. For example: pharmaceutical products need prior permit before marketing. (21) As this postponement affects the patentee's profit, the court would adopt lenient approach favouring

the applicant, though IPAC report suggested that this regulatory delay was not a strong reason. (22)

The third category of Article 43 for assessing extension of standard patents requires an applicant to prove that the invention in question has been applied in Indonesia and will be developed for export. In this regard, presumably the invention's benefit to the public will be stressed. Hence, the intent of the third category may be comparable to the requirements of "nature" and "merit" in the "1952" Australian Patent Act. The term "nature" refers to the quality which reflects the level of inventiveness of the invention. (23) In other words, it implies that the patentee has made a major contribution to the art through exceptional inventive ingenuity. The term "merit" refers to utility to the public which is more than ordinary utility. (24) In this instance, extra ordinary utility means an invention is of great public benefit and has potential for export. Although the requirements for patent extension in Australia under the "1952" Act and the Indonesian Patent Law come in a different order, by collectively observing requirements contained in the respective Acts, each legislation will not in result differ.

Assuming that an applicant can fulfil these requirements, the Indonesian Patent Office will favour the applicant. By contrast, in Australia, the general position is that no extension of term will be granted. However, in one

category, an extension is permitted, subject to matters relating to a pharmaceutical product for human use(25) the request for extension should be submitted twelve months prior to expiration of a patent, in which the extension will be granted for four years, provided the applicant comply with what is essentially administrative matters.

Reasons for treating the pharmaceutical industry as an exceptional class extension of term resulted from record of its extraordinary investment either in the form of cost or time consumption(26), and the promising development of new drugs which might give a significant benefit to the community.(27) The former justification is exemplified in Sanofi's Patent Extension Petition(28) where Fullagar J. noted that :

"The pharmaceutical industry is one which contends with very high developments costs, high risks, and the expenditure of very large amounts of money on eventually unproductive research. Just as an oil exploration company often has to sink vast sums of money in dry wells, so a pharmaceutical company sinks vast sums in the equivalent dry wells."(29)

The latter justification is found in Re-Imperial Chemical Industries Ltd's Patent Extension(30), Fullagar J. referred to the authority of the early case of Perry and Brown's Patent(31) and outlined the following three categories:

"(1) where the invention being useful to the public, and itself of an exceptional character, as being of exceptional inventive and ingenuity; (2) where the invention being of sufficient merit to warrant some extension is of exceptional benefit to the public; (3) where the invention is inherently of such a

character that it must take longer than usual to get it on the market". (32)

However, it was also conceded by the learned judge that the three categories mentioned above were not an exhaustive statement.

The recent case which delineated the particular important position of pharmaceutical substance for human therapeutic use is found in American Home Products Corp v. Commissioner of Patents. (33) In this case, which was decided under the "1952" Act, the invention is concerned with Etodolac, for the treatment of arthritis. The applicant sought a maximum extension of patent for the drug and claimed that he had developed it for over 17 years, but still had not been adequately remunerated. The court conceded the drug was classified as an "exceptional case" as of its benefits to public. The learned judge also accepted that the nature of the invention was inherently of such a character which must take a certain longer period before coming into the market, subject to government approval required. (34) However, there was a debate on the IPAC report relating to the issue of having this regulatory delay as reason to give an extension for a patent in the pharmaceutical field. It was required that patentee be compensated equal to the loss incurred during the unexploited period due to regulatory delay. Unfortunately, this argument was not accepted by the majority members. Although given a rejection, this argument was adopted by the Government as incorporated

under "1990" Act. The reason presumably emerged from one of the aims of Patent Amendment 1989 to encourage the development of pharmaceutical products industry in Australia and bring the Australian Patent Law in line with its major trading partners. (35) Even for the latter, IPAC report did not consider as essential.

Although the protection for certain inventions is much longer, it is still questionable whether the patentee could recoup his expenses by having another four year period. (36) Nevertheless, a four year extension is taken to remove the uncertainty of the patentee's question if his application was successful. (37)

In addition, Section 74 of the Australian Patent Law provides that the Minister or the Secretary to the Department of Community Services and Health (DCSH) and other persons interested are allowed within three months to oppose the extension of a patent. (38) After all parties being heard and if the Commissioner is satisfied, a four year extension could be granted. However, if the decision is otherwise, the patentee (or opposant) may appeal to Federal Court on two grounds: first, from a decision of the Secretary of State to DCSH to give or not to give an extension eligibility certificate; or secondly, from the decision of the Commissioner in granting or refusing to grant an extension of patent term. (39) It should be noted that in the case that the patent expires while the matter is under determination, any extension granted will be

backdated to the date of expiry. (40)

There is also possibility of an extension for a standard patent addition (improvement or modifications of the invention) (41), provided it falls within the permissible class. Commonly, a patent of addition remains in force as long as the term of the parent patent is in force. However, the term of a patent of addition may be extended even though the term of the patent is not extended. In this context the extension of the patent of addition commences from the date of expiry of the parent patent (42), subsequently it becomes an independent patent. (43)

Indonesian and Australian patent legislations are similar in that application for extension of a standard patent are processed through the Commissioner. The main advantage of this is to give the patentees a quicker and less expensive means of application than application through a court as required under the "1952" Act. In court questions on the benefits of the invention and the level of remuneration obtained from it are raised. For example, very detailed accounts which sometimes needed overseas experts as witnesses were often involved. (44)

5.2 Patent as a Form of Property

Both the Indonesian Patent Law and the Australian Patent Act acknowledge a patented invention as personal

property. (45) Thus it can generally be assigned - that is sold or licensed, which means the patentee has a right to enter into the contractual arrangement under the term of "exploit an invention", and is capable of devolution by law. This means that the patented invention could be dealt with within a "will", "grant" or any other legal arrangement. In Indonesia, all transfers must be registered at the Patent Office and be listed in General Register of Patents (Article 74).

Likewise, in Australia, the registration of rights are recognisables (46) in the sense that these are prima facie evidencer (47) in proving one's legal interest to the invention. Conversely, an unregistered document will be unable to be used in any proceeding for proof of title to a patent or patent interest, except at the direction of the court or tribunal, or for an order to rectify the Register or to enforce equities in relation to a patent or license. (48) Furthermore, the patentee may deal as absolute owner of the patent, subject to registered rights and in the absence of fraud, a bona fide purchaser can acquire rights which will defeat an unregistered interest. However, there is no statutory provision for registering trusts relating to a patent or license. (49)

5.3 Licensing

As generally accepted, either in Indonesia or Australia, the position of the patentee to apply the invention

commercially is secured by law. In Indonesia, such a right could be exploited either by the patentees themselves or through other parties means exclusive and non-exclusive. (50) Thereby, should any entity or individual wish to do an act within any of the patentee's rights, they must seek an authorisation from the patentee, and necessarily conclude a written contract with him and pay a fee for exploitation. (51) The method of exploitation is determined by the parties concerned.

In fact, such a method of exploitation would not only be favorable for foreign patentees in terms of monopoly rights and avoiding the consequences of non-use in the patented territory (52), but also in terms of opportunity for indigenous manufacturers to access technology which would otherwise take a great deal of time and effort to develop.

One problem related to licensing agreements is that the patent holder may sometimes "unlawfully" try to extend his patent rights by inserting certain clauses in the agreement. These attempts are usually considered as anti-competitive, and are generally prohibited under the Australia Trade Practices Act.

To date, the Indonesian legal infra-structure has still been unable to either provide preventions as in the Trade Practices Act or to facilitate access to new technology. (53) Thereby, to prevent locals from unfair

business practices, the Indonesian government included a provision in the Patent Law which stipulates the following:

- (1) A licence agreement shall not contain stipulations which directly or indirectly may create an effect harmful to the Indonesian economy, nor contain restrictions which hamper the capabilities of the Indonesian people to master and develop technology in general and in particular [technology] relating to the invention for which a patent has been given (Article 78(1)).
- (2) The registration and request for the listing of a license agreement which contains provisions as referred to in paragraph (1) above must be rejected by the Datent office (Article 78(2)).

The clauses stipulated in the above provision are to be excluded from and to be declared invalid if expressed in a licence agreement. (54)

With this in view, registration of licensing agreements at the Indonesian Patent Office was made mandatory. (55) Thus, compliance provides opportunity for the Patent Office to screen the agreements.

Central to the provisions under Article 78(1) of the Indonesian Patent Law earlier mentioned, are two aspects "economy" and "technology transfer".

From the economic aspect, and the phrase "direct or indirectly affect or harm Indonesian economy" under Article 78(1) of the Indonesian Patent Law, either in general or in relation to particular patents, creates

legal uncertainty and insecurity for the parties concerned. Given that the categories of the aforesaid phrase are not defined, restrictive licensing agreements will arise, particularly, if Indonesia enforces a strict economic policy. Europe, through the Commission of the European Economic Community ("Commission") (56), in the early 1960's issued "exemptions" resulting from a strict economic approach with regard to the competition law provisions in Article 85 of the Treaty of Rome (57) which imposed potentially broad constraints on patentees. The "exemptions" which were formed in a regulation, were made to exempt broad categories of patent licensing agreement from coverage of the aforesaid Article 85. For example, a grant of "exclusivity" would not be caught by Article 85(1). However, the Commission had adopted an uncertain measure, given that there was the question of establishing whether such exclusive agreements have as their object or effect the restraint of competition.

In the Borough case (58), the grant of exclusive licences to manufacture did not contravene Article 85(1) given the "low market shares" of the licencees, though theoretically, such a grant would have been prohibited by Article 85(1). (59)

A more liberal interpretation of the restriction contained in Article 85(1) of the Treaty of Rome was made in the Maize Seed case. (60) Here, the licensor's position not to grant other licenses in the territory and not itself to

exploit the licensed rights in that territory was not covered by Article 85 (1) (61) if the exclusivity was necessary for the introduction and protection of a new technology.

Given the decided cases, the Commission conceded that "sales exclusivity" had proved to be difficult to justify.

Furthermore, the Commission had been willing to go as far as it had in a regulation which grants an exemption automatically and not on a case-by-case basis. (62)

In consequence, the Commission eventually, in 1984, formulated a "Block Exemption on Patent Licenses" that specifies the conditions under which a license need not be individually justified before exemption. The Block Exemption covered mixed patent and know-how licenses, but not pure know-how licenses. (63) The Block Exemption contained 14 Articles, where Article 1 listed the seven restrictive obligations normally caught by Article 85(1) of the Treaty of Rome, now are exempted by Regulation. Article 2, comprises the so-called "white list" of permissible clauses, and Article 3, which is a "black list" comprises impermissible clauses. Article 4 provides an "opposition procedure" pursuant to which the exemption may be extended to agreements containing restrictions on competition not listed in Article 1 or 2 but not falling within Article 3. (64) The provisions contained in Block Exemption starts from the assumption that the clauses in

Articles 1 and 3 are normally caught by Article 85(1) and that the clauses in Article 1 may only be automatically exempted in an agreement which is drafted to fit neatly with the terms prescribed by the provisions contained in Block Exemption. Accordingly, the provisions will offer legal certainty only to those parties who are able and willing to suit their agreement to meet the requirements contained in Block Exemption.

Accordingly, the regulations mentioned earlier which are arguably over-restrictive in European experiences, do not virtually leave scope for a rule of reasons approach based on economic analysis. Comparably, Indonesia, with its expansively drafted Article 78 should also provide similar "exemptions", otherwise these provisions will be a disincentive to foreign investors for exploiting their patent through licensing agreement. The latter situation may also affect the technology transfer⁽⁶⁵⁾ for Indonesian manufacturers.

In Australia, there is no such national interest dictated upon provision regulating licensing which might void a licence agreement, though there are some provisions have been construed to restrict potential abuses of the patent system. Thus, provisions to make a licence agreement unenforceable exist under Sections 144-146 of the Australian Patent Act.⁽⁶⁶⁾ These Articles contain provisions in the nature of competition law, in which the Trade Practices Act also applies. The latter qualification

will be considered later.

Section 144(1)(a) of the "1990" Act stipulates conditions which will void a licence agreement if they are contained in it, such as prohibition or restriction preventing the licensee from "using" a product or process (whether patented or not) other than the licensors', or a "requirement" to the licensee to acquire from the licensor, a product which is not part of the patent.

As this provision is construed strictly, any other acts, such as purchasing a product from a third party which in fact does not affect use, will not be included in this provision. Similarly, any incentive given to the purchaser in terms of "best effort" obligation, does not contravene the prohibitions in Section 144(b). (67)

In addition, the Australian provision does add grounds for some exemptions. In the first part, it is when at the time the contract was fixed, the licensee is able to show that he had an option of buying the product or obtaining a license on reasonable terms without the condition (Section 144(2)(a)). Moreover, when it is permissible under the provisions for termination of the contract, the licensee would be relieved by giving notice of at least 3 months by paying a compensation (if any) which would be fixed by the Arbitrator (under the Arbitration system) or royalties subject to contractual agreement. (68) In the second part, the exemption also extends, not to affect a condition in a

contract which prohibits a person from selling products other than those of a particular persons. This means that a patentee is entitled to impose conditions on the granting of license of a patent in order to protect the patentee's legal monopoly, though this appears to be anti-competitive. (69) For example, in circumstances where there is imposition of stringent quality control, the licensor may require the licensee to be provided with warranted components which were not available from other sources. (70)

Furthermore, Section 145 provides as follows:

"(1) A contract relating to the lease of, or a licence to exploit, a patented invention may be terminated by either party, on giving three months notice in writing to the other party, at any time after the patent, or all the patents, by which the invention was protected at the time the contract was made, have ceased to be in force.

"(2) Subsection (1) applies despite anything to the contrary in that contract or in any other contract".

This provision seems to contain some ambiguities as it appears to make a clear distinction between "contract" and patent "licence" to which a contract relates. Consequently, it would appear that the contract, as a whole, would be terminated even if the patent licence is merely one aspect of the agreement. (71) Thus, it is fair to assume that a valid agreement in respect of subsisting other intellectual property right (if any) may be terminated when only the patent covered by it has

expired. (72) Having regard to the said view, it would be saved presumably if the patent licence is separated from all licences of other intellectual property rights, assuming that a contract is intended to extend beyond the term of any of the patents licenced.

Drafting a licence agreement in Australia is also complicated. Besides reference to voidable provisions as set out under Sections 144-146 of the Australian Patent Act, a well drafted contract will also take into account the provisions of Part IV, Trade Practices Act 1974. (73)

The stipulation of nature of competition law in the Australian Patent Act (Sections 144-146) resulted from the underlying policies contained in both regimes. While the Australian Patent Act gives a profit opportunity to a patentee as an incentive to innovation by granting monopoly, the Trade Practices Act tries to foster competition as a means of increasing efficiency and innovation. (74)

Sections 45 and 47 of the Trade Practices Act generally concern the prohibitions to any kind of dealing such as contracts, arrangements or undertakings, which have the effect of lessening competition, such as exclusive dealings which could be formed in "full-line forcing" when a purchaser is obliged to buy products from nominated third parties. (75)

Another important concern is regarding the prohibition stipulated under Section 46 of the Trade Practices Act, which restricts exploitation of power in a market to eliminate competitors or prevent competitive conduct in any market.(76) In this instance, the most important point under consideration is the definition of market power(77), and what amounts to a market. In one of his papers(78), Pengiley suggests that market power is approximately between 25%-30% of market share. Thus the interpretation of this Section 46 will fall within this range.

In relation to Section 48 of the Trade Practices Act, a conduct requiring the licensee to set a minimum price for a product or service in an ensuing distribution chain will be prohibited. In other words, the exclusive rights granted by a patent in respect of price restrictions is limited to the first sale of product. For example: competition at next level of distribution should not be discouraged by minimum price restrictions.(79) Furthermore, joint maintenance of resale prices or price fixing will be prohibited under Section 45A of the Trade Practices Act. Conversely, joint buying and selling and joint advertising of goods for sale, is permitted.

It should be noted that there is recognition of immunity to some dealings in intellectual property rights as provided in Section 51(3). This provision, however, excludes conduct prohibited by Sections 46 and 48 of the Trade Practices Act.

Various types of conduct which may be classified as anti-competitive, in broad terms are:

- legal actions taken to enforce intellectual property rights;
- the acquisition of intellectual property rights;
- the refusal to license intellectual property or to disclose confidential information; and
- the imposition of a restrictive term in a licence or assignment of intellectual property.

The conduct represented by the above categories would be assessed in terms of whether it falls within the meaning of Section 51(3) or it, in any event, may contravene Sections 45-50 of the Trade Practices Act.

The enforcement of intellectual property rights will not always contravene Section 46 of the Trade Practices Act.(80) The reason is that the right to enforce the intellectual property right does not depend on market power. However, abuse of market power would have been considered to have occurred if the owner of the patent or intellectual property rights has a dominant position in the market.(81)

Similarly, the acquisition of intellectual property rights would not amount to having anti-competitive effects if the acquisition merely involves the transfer of exclusive rights from one to another.(82) In the event that

exclusive right results from the amalgamation of companies which gives a company greater power to exclude competitors from a particular market, such acquisition would contravene Section 50 of the Trade Practices Act. (83)

An anti-competitive effect may occur if the patentee refuses to license a right or to disclose confidential information regarding certain rights which limit competition in the market. (84)

The fourth category of conduct mentioned earlier is commonly incorporated in patent licensing agreements. Thus a well drafted agreement should properly reflect awareness of the restrictions contained in the Trade Practices Act provisions. As the appearance of such restrictions may vary, some common types are: (85) exclusive licence grant, territorial restraints, price restrictions, quota restrictions, quality requirements, minimum royalty/quantity requirements, post termination restrictions, sub-licensing restrictions, grant back provisions, no challenge clauses, non-competition clauses, full or third line forcing, and leveraging.

As the above are beyond the scope of this paper, further discussion may be pursued in specialist texts on Trade Practices Act. (86)

5.4 Implied Licence

Generally, the right to use patented goods by a purchaser is included in the price he has paid. This is often referred to as an "exhaustion of rights" doctrine, which essentially concerns exhausting of the power of right holders to control the goods which are subject to his rights, after the goods are placed on the market. (87) This doctrine originated from member countries of the European Economic Community for regulating the "free-movement goods".

However, this phenomenon basically contrasts with the patentee's prerogative rights to his invention. The latter view, thus raises the question of whether any act overriding the patentee's exclusivity is deemed as an infringement. Reconciling those arguments, judgment has provided that the exploitation of patented goods by the purchaser is embodied in "implied licence" unless the inventor imposed certain restrictions. (88)

Lord Shaw in National Phonograph Company of Australia Ltd. v. Menck (89) said:

"In their Lordship's opinion, it is thus demonstrated by a clear course of authority, first, that it is open to a licensee, by virtue of his statutory monopoly, to make a sale sub modo, or accompanied by restrictive conditions which would not apply in the case of ordinary chattels; secondly, that the imposition of these conditions in the case of a sale is not presumed, but, on the contrary, a sale having occurred, the presumption is that the full right of ownership was meant to be vested in the purchaser..."

What is clear is that the imposition of conditions on the sales of a patented product is not presumed. It must be proven by the facts that such conditions, though not formed in a contract, have been imposed and have been communicated to the party to whom the goods are sold. In other words, the purchased good is in limited licence. The effect of such licence will also bind the ultimate purchaser. Any act that falls within the restriction will be categorised as an infringement.

5.5 Implied Licence to Repair

Concomitant with this implied licence, the purchaser may also have a right to repair as long as the act does not amount to the making of a patented product. The proposition is enunciated in Solar Thompson Engineering Co. Ltd v. Barton (90)

"The cardinal question must be whether what has been done can fairly be termed a repair, having regard to the nature of the patented article. If it is, any purchaser of such article, whether from the patentee or from a licensee of the patentee or such a licensee or purchaser, is impliedly licensed to carry out for him; for clearly the implied license must be transferable as the patented article must include permission to authorise an agent or contractor to carry out whatever the owner of the article could himself do under the license, had he required skill and equipment. (91)

In this situation, it is of importance to separate the term "repair" and "make" a completely new product. (92)

It should also be noted that this case contained an

overlapping of protection among industrial property rights such as patent, copyright and design. Where under the patent regimes, the defendant is entitled to repair the patented goods, on the other hand, in order to satisfy the restrictions on "implied licence to repair" he infringed the copyright. (93) Interestingly in this case, Buckley L.J. took approach of "business efficacy" that :

"...purchasers are also impliedly licensed to infringe the plaintiff's copyright in their drawings to the extent necessary to enable such repairs to be carried out." (94)

In addition to overcome the doubt as to whether there was an overlapping among the industrial property rights, British Leyland Motor Corporation v. Armstrong Patents Co. Ltd (95) made a clear rule on implied licence. It was held in this case the plaintiff sought to use its copyright in the drawings of the components of its cars to restrain the manufacture and supply of spare parts by third parties. In this case, however, Lord Bridge said:

"The owner of a car must be entitled to do whatever is necessary to keep it in running order and to effect whatever repairs may be necessary in the most economical way possible. It is a right inherent in the ownership of the car itself". (96)

It was conceded, shortly, that by selling its cars, the plaintiff could not exercise its copyright to prevent owners from repairing them when they break.

Although, the principle of an implied licence has not been developed in Indonesia, the court may possibly take a similar approach to its Australian counter-part.

5.6 Compulsory Licence

As common in other countries, both Indonesia and Australia set out comprehensive provisions concerning compulsory licence. In general, where a patentee refuses to work his patent or is not able to do so for economic or other reasons such as refusal to grant licences in respect of it, a compulsory licence may be granted to enable other persons to exploit the invention with the resultant to the community at large. (97) The true value of the compulsory license provisions lies in encouraging the patentee to exploit his invention and preventing the abuse of the monopoly rights acquired. (98)

For Indonesia, the mechanism of compulsory licence is found under Articles 81-93. The introductory provision regarding definition of compulsory licence is found under Article 81 of the Indonesian Patent Law. Article 82 provides the substantive element of compulsory licence, in which any interested partys (99), upon the expiration of thirty six months (three years) from the date of the patent right, may apply to the District Court on the basis of failure by the patent holder to use or apply the invention in Indonesia, despite a commercial demand which provides the opportunity to exploit it to its full capacity. A compulsory license may also be granted to patent holders who cannot implement their own patent without violating other patents. (100) The application for this compulsory licence is directly filed to the

Court. (101)

In addition, Article 83 states that the District Court may grant a compulsory licence provided there had been a scrutiny examination conducted in a court session. This occurs upon the request of an interested party (any individual or legal entity), who is able to show satisfactory evidence or "convincing proof" that he is qualified, by his own facilities, to exploit the patent. The district court must also be of the opinion that the patent could be used in Indonesia on an economically reasonable scale which would benefit the majority of society.

In the Australian system, a parallel provision for compulsory licence is provided under Section 133, where a person may apply to a prescribed court for an order requiring the patentee to grant a license to the person after the expiration of 3 years. (102) Furthermore, the court may make such an order if it is convinced that the "reasonable requirement of the public" with respect to the invention has not been satisfied and the patentee has given no "satisfactory reason" for failing to exploit the patent. Section 135(1)(a) of the "1990" Act sets out the circumstances under which "reasonable requirement of the public" will be deemed not to have been satisfied, namely where the patentee fails to manufacture the article or process to an adequate extent, or fails to carry the patented process in reasonable extent, or fails to either

supply it or grant licenses for it on reasonable terms. Section 135(1)(b) provides for a separate and distinct set of circumstances where the deemed provision applied. This is where trade or industry in Australia is unfairly prejudiced by conditions attached by the patentee to the purchase, hire, or use of the patented article, or to the using or working of the patented process Section 135(c) applies where the patented invention is not being worked in Australia on a commercial scale when it is capable of so being worked.

Regarding the "reasonable requirement of the public", the court will consider all circumstances, inter-alia, the nature of the patent in-question, the expenditure and liability of the applicant, the availability of articles and products. The authoritative interpretation is well exemplified in Fastening Supplies Pty. Ltd v. Olin Mathieson Chemical Corporation(103) where Menzies J. commented that the objects of the compulsory licensing provisions included fostering the capacity of the Australian manufacturing industry to make the patented articles or to use the patented process, and ensuring that Australian demand for the patented article made in accordance with the patented process is met by local production or at least by imports.

Ricketson criticised the approach taken by Menzies J. on the aforementioned case where the phrase "to foster Australian manufacturing industry" may be interpreted to

exclude an importation of patented articles from being sufficient to meet the reasonable requirements of the public. In view of this, a compulsory licence might eliminate the licence right to import and sell patented articles, and only permit local manufacturing to then sell the product. (104)

Moreover, both legislations provide extenuating circumstances for the delay of a compulsory licence. In Indonesia, Article 84 stipulates that if the patentee's invention, a period of 36 (thirty six) months was not sufficient for the patentee to apply the patent in question commercially in Indonesia, the court may decide to postpone temporarily the process or to reject the license application. Though the adjournment is not expressly described in the legislation, it must not be longer than 12 (twelve) months. (105)

Similar provision can be found under the Section 135(2) of the Australian Patent Act. Where the court is satisfied by the legitimate reason in the patentee's presentation that a 3 (three)-year period is not sufficient to enable the invention to be worked in Australia on a commercial scale, it may adjourn the hearing of a third party application in favour of the patentee's persuasion. The extension period is determined at the court's discretion.

Under Section 134 of the Australian "1990" Act where a compulsory licence in respect of a standard patent is

granted, after a 2 (two)-year period has elapsed, and the "reasonable requirement of public" and "satisfactory reasons" are still not satisfied, the patent may be revoked. This, in fact, is wider than the Indonesian equivalent. In the Indonesian Patent Law, Article 89 which provides that a compulsory licence may become void upon the petition of a patent holder where, inter-alia, the legitimate reasons for granting compulsory licence is no longer valid; or where genuine capacity of the applicant to work is doubtful, or failure to meet the obligations of the provision includes the repayment of royalties as scheduled, then if such judgment is made, the court has to send notice within a certain period (14 days) in order to record this event in the Patent Office Official Source. In such circumstances, there exist no statutory provision to revoke the licence in question. (106)

Therefore, the abuse on the adequacy of supply might not be prevented under Indonesian Law specifically after compulsory licence has been deprived due to the revocation as provided under Section 134 of the Australian Patent Act.

As a general rule, a compulsory licence in Indonesia can only be requested after a period of 36 (thirty six) months of inadequately working has lapsed. It is of importance to note, however, that Article 88 of the Indonesian Patent Law provides that the court may, upon the request of the patent holder grant "another particular compulsory

license" at any time on the basis that the owner of the more recent patent cannot implement his patent without violating an existing patent. Thus, institution of compulsory licences in respect of dependent patent is recognised under the Indonesian Patent Law. (107) In this case, the court will consider whether the technology to be implemented carries an element which is obviously more advanced than the existing patent in question. (108) If, however commercial benefit outweighs relative lack of improvement, presumably the court will grant the compulsory licence as well.

The purpose of this Article is to encourage both domestic and foreign patent owners to cooperate in the dissemination of new inventions and improvements. However, if there is inconclusive agreement between the parties concerned, the court by virtue of Article 88 may issue the requested licence in order to give the advanced patent holder opportunity to exploit his invention. (109) Thus it is fair to assume, a request of that kind of "particular compulsory licence" will be allowed after reasonable negotiations fail. Another significance of this Article is that the owner of an advanced patent may independently licence his invention as is, usually outside the existing one, while the owner of the earlier patent will presumably be only entitled to a "reciprocal licence" contingent upon the granting of the first one. (110)

Article 88 bears a particular circumstance which has no

counter-part in the Australian Act.

Both Indonesia and Australia permit a payment of royalty in the form of a certain sum of money in relation to the permitted use of a compulsory licence. This royalty is determined by the patentee and the licensee. (111) However, under the Indonesian Patent Law, in the event that the parties could not reach an agreement with respect to the fee, the Indonesian court shall - after receipt of the request - fix the royalty in the normal procedure adopted in patent licence agreements or in a similar procedure. (112)

The Indonesian Patent Law provides that a compulsory licence granted by the court is non-exclusive and non-assignable unless by inheritance. (113) This is, in fact, narrower than the Australian Patent Act which provides that any licence ordered by the court shall be non-exclusive and assignable only in connection with an enterprise or goodwill in connection with which the licence is used. (114) However, such a narrow definition is ineffective in anticipating the development of business fields, where there is a tendency of enterprises to merge in order to enhance efficiency. Facing this, following strict interpretation, the compulsory licence will be invalid when an enterprise merges with another and forms a new enterprise. It is suggested that the Australian provision concerning this matter should be taken into account when reforming the Indonesian Patent system.

The Indonesian Government reserves the right to make regulations concerning the compulsory licence which has not been announced yet. (115)

A compulsory licence is usually viewed cautiously by the patentee and the application for such an arrangement by the Indonesian court will be viewed with special interest. It remains to be seen whether the phrase "the reasonable requirement of the public" under the Australian Patent Act and the phrase "the opportunity to use or apply it commercially" could apply equally in an Indonesian court. The fact is that in Australian practice, these provisions are rarely used. The Intellectual Property Advisory Committee in its report notes that only two cases of petitions for compulsory licences are known to have gone to court in Australia. The Committee was unable to ascertain whether this was due to the efficacy of the deterrent created by the qualifications, the discretion on the part of the court, or difficulties of proof and expenses. (116) Furthermore, the Committee expressed the view that there is no economic justification in the Australian context for employing compulsory licensing and forfeiture on the lines advocated by third world countries (117) as sanctions to compel local working of an invention. (118)

Unlike Australia and Indonesia, the United States patent system provides an exception to this type of requirement. There is neither an obligation for the exploitation of the

patented invention nor a system of compulsory licensing. (119)

5.7 The Use of Invention by the Government

Subject to some remuneration, the State has legitimate power to grant compulsory licences for the use of an invention if it is considered to be important to the defence and security of the State. (120) Therefore compensation becomes a matter of legal entitlement on the repudiation of some of the patentee's rights to the invention. Such a provision is mandatory in most patent systems in the world and might be used by the State in wider terms. It is justified for the Indonesian government to exploit the alleged invention in any way for its own purpose. However, such decisions are to be made by Presidential Decree upon the Ministerial approval. (121) The power will only extend to situations where either the invention is in the stage of an application or pending as provided for under Article 52. (122)

In addition, where the government has no intention of exploiting the alleged invention immediately on its own, the patentee may use it subject to the government's approval. (123) However, when the government has the intention to use the alleged invention, the government should notify the patentee in writing, containing the reason or other matters, at the earliest possible time.

In Australia, similar provisions at the disposal of the Commonwealth or a State exist, as well. The major powers of the Commonwealth or State to interfere with the patent in question are compulsory licence in favor of "public authorities" and compulsory acquisition or "assignment". (124)

Unlike Indonesia, where interference applies only to an invention before patent is granted, the Australian Patent Act confers the power to exploit (and acquire or assign) an invention on behalf of the Commonwealth or State whether it has been granted a patent or still in the stage of application (patent pending). Although, Australian provisions seem to be excessive compared to Indonesian ones, as the taking over by government could apply to existing patents it is arguable that such power will position the Government to take advantage of inventions to be in line with policy. On the other hand, in Indonesia, policy changes cannot anticipate future needs, so there is a need for the Indonesian Patent Office to provide "imaginative" examiners who can select inventions.

In addition, the Commonwealth or State may also authorise other people to do so. Ricketson comments that the Commonwealth position is analogous to that of a licensee rather than an infringer and payments are to be on the basis of what a "willing licensor" and "willing licensee" would agree upon. (125)

Sections 171 and 172 of the "1990" Patent Act permits the Commonwealth or State to compulsorily acquire or assign an invention from its inventor or successor in title, subject to compensation agreed. Any default will be determined by a prescribed court. (126) However, there are some circumstances where the patentee does not have automatic right of remuneration in respect to the exploitation of his patent by or on behalf of Commonwealth or State, though a similar procedure to fixing of terms exists. (127) In such a case, the Act provides no remuneration to be payable where before the priority date of the relevant claim, the patented invention was not communicated but had been recorded or tested by the relevant authority. (128)

Furthermore, the scope of the phrase "for the services of the Commonwealth or State" as provided in the Australian provision is also doubtful. McKeough likens the Australian position to English legislation which includes supply of anything for foreign defence purposes, the production of particular drugs or medicines, or the atomic energy industry. (129) While both Indonesia and Australia have the same mechanism where the State can override the patentee's right to an invention subject to reasons described above, there is no right to appeal given to the Indonesian patentee where the alleged invention is taken by government. (130)

NOTES 5

1. Article 19 of the Indonesian Patent Law.
2. Article 10 of the Indonesian Patent Law.
3. Article 112(1) of the Indonesian Patent Law.
4. Article 42 of the Indonesian Patent Law.
5. Kesowo, Bambang, "Undang-undang Paten: Latar Belakang dan Prinsip-prinsip Pokok" (Indonesian Patent Law: Background and Basic Principles), a paper given in a seminar, Jakarta 24-26 July 1990, p.27 and Elucidation of Article 8 of the Indonesian Patent Law; Wiriadinata, H. and Johnston, B, "Intellectual Property Protection Expanding", Australian Law and Practice, March 1992, p.17.
6. The Industrial Property Advisory Committee (IPAC), Patents, Innovation and Competition in Australia a Report, 29th August 1984, D. 37.
7. Ibid, p.38.
8. Sections 65 and 67 of the Australian Patent Act.
9. Sections 68 and 69 of the Australian Patent Act.
10. The United Kingdom Patent "1977" Act, Section 25; Phillips, J., 1990, p.23.
11. Baxter, J.W. and Sinnott, J.P., 1986, v.2, 6.3 to 6.5 for a comparative listing of terms of patent protection.
12. Ibid.
13. Section 70(1) of the Australian Patent Act.
14. (1983) 1 VR 25.
15. Ciba Geigy (1983) 1 IPR 171; Eli Lilly 11982) 42 ALR 101.

16. Lahore, J., 1986, pp.902-921; Ricketson, S., 1984, pp.998-1011.
17. Montecatini's Patent (1973) 47 ALJR 161 at 170 per Gibbs J.
18. Galloway's Patent (1843) 1 WPC 724; Duncan & Wilson's Patent (1884) 1 RPC 257.
19. Ricketson, S., supra note 16, p.1011.
20. Montecatini's Patent, supra note 17, at173; Vidal's Patent (1981) 51 AOJP 174 at 175-176 per Fullagar J.
21. American Home Products v. Commissioner of Patents (1989) 16 IPR 252 per Gummow J.
22. IPAC report, supra note 6, p.39.
23. Robinson's Patent (1918) 25 CLR 116, 123; Trufood of Australia Ltd's Patent (1920) 28 CLR 294, 298.
24. Robinson's Patent ibid; Scott v. Hamling & Co. Ltd (1897) 14 RPC 123, 129; Ricketson, S., supra note 16, pp.998-1000.
25. Sections 70-79 of the Australian Patent Act; See Schedule 1 of the Australian Patent Act for definition of "pharmaceutical substance" and "therapeutic use", see also other relevant definition, inter-alia, "marketing approval", "marketing approval certificate".
26. McKeough, J. and Stewart, A., 1991, p.214.
27. Reckit v. Colman Product ltd (1983) AIPC 90-114; Eli Lilly & Co (1982) 64 FLR 71; Re. Application of Merck Co. Inc. (1983) 1 IPR 583; these cases mentioned were concerned with an invention which had proved to be extraordinary efficacious for the benefit of the community; see also Ricketson, S., supra note 16, pp.1008-1009.
28. (1983) 1 VR 250.
29. Ibid at 34.

30. [1983] 1 VR 10.
31. (1930) 48 RPC.
32. Ibid at 10.
33. (1989) 16 IPR 252.
34. Note the patentee had lodged an application to the Department of Health in May 1983 for an approval, and as at May 1989, there was no approval had been granted; see also Imperial Chemical Industries Ltd's Patent Extension Petitions [1981] 1 Vr 1 per Gummow J
35. McKeough, J. and Stewart, A., supra note 26, p.216.
36. Under the "1952" law, the court had a discretionary power to grant extension between 5 years up to 10 years if it was exceptional; Section 94(1) of "1952" Patent Act; Re. Application of Sandoz Ltd. (1989) 14 IPR 54; Re. Imperial Chemical Industries Ltd's Patent Extension Petition (1983) 1 VR 1.
37. Morgan, Irene, "Extension of Term for Standard Patent - New Procedure", Australia Intellectual Property Journal, no.1, v.3, February 1992.
38. Section 74 of the Australian Patent Act.
39. Sections 72; 75(2); 75(4) of the Australian Patent Act.
40. Article 77 of the Indonesian Patent Law.
41. Section 81 of the Australian Patent Act.
42. Section 83(2)(3) of the Australian Patent Act.
43. Section 84 of the Australian Patent Act.
44. Lahore, J., supra note 16, p.921; Ricketson, S., supra note 16, p.1011.
45. Articles 17 and 73 of the Indonesian Patent Law; Sections 13, 14 and 189 of the Australian Patent

Act.

46. Section 187 of the Australian Patent Act
47. Section 195(1) of the Australian Patent Act.
48. Section 196 of the Australian Patent Act; Martin Engineering Co. & Anor v. Mattlo Engineering Pty. Ltd. & Ors. (1987) AIPC 90 - 430.
49. Section 188 of the Australian Patent Act.
50. Article 77 of the Indonesian Patent Law.
51. Article 76 of the Indonesian Patent Law.
52. Fysh, Michael, Q.C., Patentability, Rights Conferred by Patents and Patent Licensing, paper presented at the National Seminar for Polices and the Judiciaries on Enforcement of Intellectual Property Rights, Indonesia, 27 Sep. - 5 Oct. 1990, p.39.
53. There is no specific regulation concerns the transfer of technology in Indonesia. Kesowo, B., "Perspective and Practice of Licensing and Technology Transfer in Indonesia", Intellectual Property in Asia and Pacific, December 1987 February 1988, no.20, p.24.
54. At the time, Indonesian Patent Law was prepared, the development of technology was being encouraged, thereby Indonesian attempt to construe provisions for assuring transfer of technology will occur in Indonesia, see the Elucidation of Article 78 of the Indonesian Patent Law. Dwyer, Bryan, "Patent Licensing", a paper presented in World Intellectual Property Organisation Patent Agency Workshop, Jakarta 27-29 November 1990, p.6.
55. Article 79 of the Indonesian Patent Law; Gambiro, Ita, "Perjanjian Lisensi dan Technical Assistance (Licence Agreement and Technical Assistance)", unpublished article, P.9.
56. See generally Cornish, W.R., 1989, pp.191 - 204.
57. Article 85(1) of the Treaty of Rome provides:

1. The following shall be prohibited as incompatible with the common market: all agreements between undertakings, decision by associations of undertaking and concerted practices which may effect trade between Member States and which have as their object or affect the prevention, restriction or distortion of competition within the common market, and in particular those which:
 - (a) directly or indirectly fix purchase or selling prices or any other trading conditions;
 - (b) limit or control production, markets, technical development, or investment;
 - (c) shares markets or sources of supply;
 - (d) apply dissimilar conditions to equivalent transactions with other trading parties, thereby placing them at a competitive disadvantage;
 - (e) make the conclusion of contracts subject to acceptance by the other parties of supplementary obligations which, by their nature or according to commercial usage, have no connection with the subject of such contracts.
2. Any agreements or decisions prohibited pursuant to this Article shall be automatically void.
3. The provisions of paragraph 1 may, however, be declared inapplicable in the case of:
 - any agreement or category of agreements between undertakings;
 - any decision or category of decisions by associations of undertakings;
 - any concerted practice or category of concerted practices which contributes to improving the production or distribution of goods or to promoting technical or economic progress, while allowing consumers a fair share of the resulting benefit, and which does not:
 - (a) impose on the undertakings concerned restrictions which are not indispensable to the attainment of these objectives;
 - (b) afford such undertakings the possibility of eliminating competition in respect of a substantial part of the products in question.

c/f Schlag, Pierre, "A Theoretical Analysis of Know-How Licensing under the EEC Competition

Law: Territorial restrictions", The Antitrust Bulletin, Summer 1981, pp.347-348.

58. Burroughs/Geba-Werke, O.J. Eur.Comm. (No.L.13)53 (1972), [1970-1972 Transfer Binder] Comm.Mkt.Rep (CCH), c/f Venit, James S., "EEC Patent Licensing Revisited: The Commission's patent licence regulation", The Antitrust Bulletin, v.30, Summer 1985, pp.459-460.
59. Supporting this view, Davidson Rubber case, O.J. Comm.Eur. (No.L.143)31 (1972), [1970-1972] transfer Binder] Comm.Mkt.Rep. (CCH), which involving exclusive licenses to manufacture and sell and in which the parties held greater market shares, was caught by Article 85(1), c/f Venit, James S., *ibid.*
60. Breeder's Rights v Maize Seed, O.J.Eur.Comm. (No.L.286) 23 (1978), [1978-1981 Transfer Binder] Comm. Mkt. Rep (CCH), c/f. Venit, James S., *supra* note 54 s.460.
61. Venit, James S., *supra* note 58, p.472.
62. O.J. Eur. Comm (No.C 58), Comm. Mkt. Rep. (CCH) 10, 118, where the commission on 1979 published a proposed draft block exemption regulation to replace the "notice" in 1960, c/f Venit, James, *supra* note 58.
63. Corones, S.G., "The European Commission's Approach to Know-How Licensing: A critical commentary", The International and Comparative Law Quarterly, v.33, 1984, p.182.
64. Commission Regulation (EEC) no.2349/84 of 23rd July 1984, O.J.Eur.Comm. (No.L.219) 15(16th August 1984)
65. Gonzales, J.E., "Technology Transfer in the EEC: A look at the proposed Block Exemption for Exclusive patent Licensing Agreements", Fordham International Law Journal, v.7, 1984, p.244. See also various discussions of the intention of Indonesian Government concerning licensing agreement in Dwyer, Bryan, "Patent Licensing", a paper presented in World Intellectual Property Organisation Patent Agency

workshop, Jakarta, 27-29 November 1990.

66. These provisions applied adequately to contract relating to the sale or lease of patented invention.
67. Transfield Pty. v. Arlo International Ltd. (1980) 30 ALR 201 ; see also IPAC report, supra note 6, para.3.4, p.327.
68. Section 144(2)(b) of the Australian Patent Act.
69. Transfield Pty. Ltd v. Arlo International Ltd (1980) 30 ALR 201.
70. Section 146(d) of the Australian Patent Act; Terry, John, 1991, para.55-740, p.23,623.
71. Commonly found patent licences include licences of know-how and other intellectual property rights as well, such as copyrights, trademarks, registered design, etc.
72. Advance Industries Limited v. Paul Frankfurter [1958] RPC 392. See also Knight, Peter, "Controls on Patent Licences - a warning for the unwary", The Australian Corporate Lawyer r V . 6, no.3, January 1992, p.18.
73. For further discussion for this matter, see supra note 70, pp.23,642-23,662; For further discussion see Pengiley, Warren, "Patent and Competition Law Battlefields: Some Philosophizing from Australasia", Intellectual Property Journal, no.5, 1990
74. A role endorsed recently in Queensland Wire Industries v. Broken Hill Homestay Co. Ltd. (1989) 167 CLR 177.
75. Dandy Power Equipment Pty. Ltd. v. Mercury Marine (1982) 64 FLR 238, this case discussed detailed the concept of "substantially" lessening competition.
76. Trade Practice Commission, Misuse of Market Power Guidelined and Background Paper, 1990; Pendleton, M., "Application of the Trade Practices Act to Intellectual property - The Trade Practices

Commission Background Paper, July 1991", BDW Reporter, October 1991, p.30; Speakman, Mark, "Misuse of Market Power and intellectual Property Right - If you've got it, can you flaunt it?", BDW Reporter August 1989, p.1.

77. Queensland Wire Industries Pty. Ltd v. Broken Hill Pty. Co. Ltd (1989) 167 CLR 177.
78. Pengiley, W., "Patent and Competition Law Battlefields: Some philosophising from Australasia", Intellectual Property Journal, v.5, 1990, p.360.
79. See further Sections 96(3)(a)-(f) of Trade Practices Act where various forms of resale price maintenance are defined.
80. Warman International & Ors v. Envirotech Australia Pte. Ltd & Ors (1986) ATPR 40 at 714.
81. Top Performance Motors Pty. Ltd. v. Ira Berk (Old) Pty. Ltd (1975) 5 ALR 465.
82. Queensland Wire Industries Pty. Ltd v. BHP ltd (1989) 63 ALJR 181
83. Paul Dainty Productions Pty. Ltd v. The National Tennis Center Trust and Ors (1989) ATPR 40-951.
84. British Leyland v. Armstrong (1986) AC 577.
85. Detailed discusslon on each type of restriction, see Trade Practices Commission, "Application of the Trade Practices Act to Intellectual Property", background paper, July 1991.
86. Detailed discussion on Trade Practices Act see *ibid*, pp.21-35.
87. Byrne, N.J., "Exhaustion of Patent Rights in EEC Competition Law", EIPR, June 1979, p.150.
88. Incandescent Gas Light Co v. Cantelo, (1895) 12 RPC 262 and National Phonograph Company of Australia Ltd. v. Menck (1911) AC 336.

89. (1911) AC 336 at 353.
90. (1977) RPC 537 per Buckley LJ.
91. Ibid at 555.
92. Weir Pumps Ltd. v. C.M.L. Pumps Ltd., (1983) 2 IPR 129; Dunlop Pneumatic Tyre Co. Ltd. v. Neal, (1899) 16 RPC 247.
93. Ricketson, S., supra note 16, p.177.
94. Ibid, pp.560-561.
95. (1986) FSR 221
96. Ibid at 239.
97. Ricketson, S., supra note 16, p.1026.
98. Roffe, Pedro, "Abuses of Patent monopoly: A Legal Appraisal", World & Development, v.2, no.9, September 1974, p.20.
99. For background and detailed discussion see "Compulsory Patent Licensing in the United States: An Idea Whose Time has Come, comment in Northwestern Journal of International Law & Business 1988, pp.668-674.
100. Article 88 of the Indonesian Patent Law will be considered later in this chapter.
101. For present, the Central Jakarta District Court is the only legal jurisdiction to deal with this matter
102. 3 years is an international requirement and Section 136 of the "1990" Act regulates reciprocal treatment under International Treaty is applied to Ss.133-134, therefore according to international requirement the "prescribed period" means 3 years.
103. (1969) 119 CLR 572, 575.
104. Ricketson, S., supra note 16, p.1027

105. This figure is accorded to the limitation period of 48 months which might cancel the patent in respect of non-working patent as requested in Article 94(1)(a) of the Indonesian Patent Law.
106. Articles 94(1)(a) in conjunction with 91 of the Indonesian Patent Law.
107. Walter, Hans Peter, "Compulsory Licence as in respect of Dependent Patent under the Law of Switzerland and other European States", IIC, v.2, no.4, 1990, pp.532-538.
108. See Article 88(2) of the Indonesian Patent Law.
109. See the elucidation of Article 88 of the Indonesian Patent Law; see also Walter, Hans Peter, "Compulsory Licences as in Respect of Dependent Patents Under the Law of Switzerland and other European States", IIC v.2, no.4, 1990, pp. 532-538.
110. See the Elucidation of Article 92 of the Indonesian Patent Law.
111. Patchett's Patent [1967] RPC 237 (CA); CF Lloyd-Jacobv in [1967] R.P.C. 91-92.
112. Article 85 of the Indonesian Patent Law, see also Article 13 for calculating the fee.
113. See the elucidation of Article 92(1) of the Indonesian Patent Law which states that principally compulsory is not assignable but in the case that compulsory licence owned individually, it could be transferred by inheritance.
114. Section 133(3) of the Australian Patent Act.
115. Article 93 of the Indonesian Patent Law.
116. IPAC Report, supra note 6, p.28.
117. See Article 94(1)(a) and discussion in chapter 4.
118. IPAC Report, supra note 6, p.29.

119. Comment, supra note 99, pp.666-685.
120. Article 106 of the Indonesian Patent Law.
121. Article 104 of the Indonesian Patent Law.
122. Patent pending means that where the Indonesian Patent Commission holds the view that the alleged invention could be used contrary to the law or national stability, the announcement such invention is delayed.
123. Kesowo, B., supra note 5, p.30.
124. Sections 163(1), 171 and 172 of the Australian Patent Act.
125. Ricketson, S, supra note 16, p.102.
126. Section 171(4)
127. Section 165(2)
128. Section 165 of
129. McKeough, J. and Stewart, A., supra note 26, p.249.
130. Article 107 of the Indonesian Patent Law.

CHAPTER 6

ENFORCEMENT AND INFRINGEMENT

6.1 System and Jurisdiction

The Indonesian legal system is based upon Civil Law jurisdiction, while the legal grounds of the Australian Patent Act basically originated from the English Common Law. (1) These distinctions colour the respective Acts.

The Indonesian legal system operates in a similar way to the interrogative "continental" system found in Europe. Proceedings before the District and the High Court involve a series of hearings at which formal statement of each party's position, written evidence on affidavit and documentary evidence are presented to the Court. (2) This procedure does not provide for a "trial" as known in the British and Australian systems. (3) In addition, under general circumstances, any violation of a patent right is to be heard in the court, whereby the jurisdiction is determined by the domicile of the infringer or where the infringement took place. (4) However, specifically, for any cancellation of granted rights, the proceedings will be held in the District Court of Central Jakarta. (5) The cases are first heard by the District Court; thereafter there is an appeal to the Court of Appeal (High Court) and finally to the Supreme Court. (6)

The functions of the Patent Commissioner, under the Indonesian Patent Law are mainly administrative (7) for example, to receive an application for a patent, and to conduct a substantive examination of the application. There are however some quasi-judicial functions (8), inter-alia, which include accepting the request for appeal arising from examination on the basis of substantive matters, where in such matters the decision of the Patent Commissioner is to be final. (9) It should be noted, although in theory, judges are allowed by civil law to make judgement at their own discretion, it can be argued, however, in practice, precedence is a significant factor influencing a decision. (10) This trend would apply to the Patent Commission as well.

By contrast, in Australia, substantive issues arising from any adverse decision of the Commissioner have to be submitted to the Federal Court, the legal jurisdiction. (11) Moreover, for a lesser issue such decisions may be made to the Administrative Appeals Tribunal. (12) The ambit of the Federal Court jurisdiction regarding the issue arising from examination appears to have no equivalence under Indonesian law.

Both legislative schemes provide that any infringement action which relates to a patent may be instituted in a "prescribed court" or in other courts having legal jurisdiction for hearing and determining the matter. (13)

The appeal against matter concerned in "prescribed court" may ultimately lie in the Federal Court. (14)

It is therefore useful to consider whether the Indonesian courts will behave similarly in exercising the powers of jurisdiction as their Australian counterparts regarding infringement and remedies of patent, given that both countries adopt different legal systems.

6.2 Infringement

As practiced in every country, the grant of a patent gives the patentee certain exclusive proprietary rights. A patent whether for a product or for a process, is said to be infringed where the exclusive rights of the patent holder are exercised by a third party without authority. (15)

In Indonesia, this principle is found primarily in Article 17 which provides that:

A patent holder has the exclusive right to apply commercially his patent both individually and by giving permission to other persons, namely:

- a. to make, to sell, to lease, to transfer, to use, to provide for selling or leasing or transferring the product for which a patent has been granted;
- b. to use the production process for which a patent has been granted for the production of goods and activities as referred to in sub-paragraph a.

In Australia, a similar provision is regulated under

Section 13 of the "1990" Patent Act which states that, the legal effect of a patent:

- "(1) ...gives the patentee the exclusive rights, during the term of patent to "exploit" the invention and to authorise another to exploit the invention.
- (2) The exclusive rights are personal property and are capable of assignment and of devolution by law.
- (3) A patent has effect throughout the patent area." (16)

According to Schedule 1, the term "exploit" to an invention includes:

- (a) where the invention is a product, the patentee may make, hire, sell, or otherwise dispose of the product of it, use or import it, or keep it for the purpose of doing any of those things or
- (b) where the invention is a method or process; the patentee may use the method or process or do any act mentioned in paragraph (a) in respect of a product resulting from such use.

Clearly, as a whole, the central idea as to the exclusiveness of a patentee's rights (in Indonesia, except for the term "import") in both legislations bear close resemblance. Consequently, in Indonesia, mere importation will not constitute infringement. This will be discussed later in this chapter.

In addition, since no case law exists to be drawn on for defining the precise meaning of the term "use" under Indonesian definitions, the Australian experience might be referred to for some assistance. The terminology of

"exploit" under the "1990" Act reflects the basic principle underlying the terms "make", "use", "vend" and exercise which were employed under the "1952" Act. (17)

"Make" is a term primarily relevant to a patent for products. It is noteworthy that making must be for some commercial purpose or any kind of activity which otherwise has, in-fact, given a patentee some commercial advantages. Therefore the "commercial" element is becoming the most assessable tool to define whether there is an infringement or not. For example, the making of a patented product which is simply for a pure research without any commercial flavour prejudicial to the patentee may not be regarded as infringement. (18)

"Use" applies to product and process. If an infringement act is addressed to mechanical devices, Blanco White suggested that the use ought to be consistent within the inventive nature of patented product as revealed in the specification of the claim. (19) However, if the claim concerns raw material, any kind of use for that substance which would deprive the patentee's commercial advantage amounts to infringement. (20) On the other hand, under the Indonesian provisions, using or selling of patented raw material (chemical substance) particularly patented prior to 1991 would not constitute infringement. (21)

"Vend" has a commercial character and includes every act which is described in Schedule 1 of the "1990" Act. This

covers either product or process, for example: the meaning of "vend" will also exist when a person enters into a contract to supply a patented process. Furthermore, any importation of patented goods into Australia irrespective of the process conducted overseas still constitutes infringement. (22) In addition, under Australian law, a patent would also be infringed if a patented product is manufactured in accordance with the registered patent process, albeit the use of such a product is purported for export only. Accordingly, no infringement will exist for similar purposes, if a patent is not registered in Australia. (23)

"Exercise" seems to be redundant in view of the three words mentioned above. However it apparently has the intention of covering most of the field which falls outside "make", "use" and "vend" or the combination thereof. (24) In other words, this term could be used by courts to make a wider interpretation.

A favoured perspective to the words "make", "use", "vend" and "exercise" is given by McKeough, when she commented that the courts tend to look upon those words as a composite phrase though they may be treated separately. (25)

6.3 Contributory Infringement

Section 117 of the Australian Patent Act provides that a

supply of a product in particular circumstances is infringement. It states as follows:

if the use of a product by a person would infringe a patent; the supply of that product by one person to another is an infringement of the patent by the supplier unless the supplier is the patentee or licensee of the patent.

Furthermore Subsection (2) defines the term "use" of the product by the person supplied as:

- (a) if the product is capable of only one reasonable use, having regard to its nature or design - that use; or
- (b) if the product is not a staple commercial product - any use of the product, if the supplier had reason to believe that the person would put it to that use; or
- (c) in any case - the use of the product in accordance with any instructions for the use of the product, or any inducement to use the product, given to the person by the supplier or contained in an advertisement published by or with the authority of the supplier.

In addition, the term "supply" includes supply by way of sale, exchange, lease, hire or hire purchase. The doctrine of "contributory infringement" which imposes liability on the supplier has been introduced in order to resolve the difficult position of the patentee in proving infringement by an ultimate user if the latter is served with supply from an unauthorised person with the means to infringe. (26) It should be noted that merely supply a part of a patented product was not infringement even if the supplier knew that such a part could be used for the purpose of infringement. (27) However when such parts are

sold together by the supplier and appear to have no other use, the supplier is liable to be caught as an infringer. (28)

Likewise, where the supplier of a patented process is proven to have actively encouraged others to use the article of a patented process in a reasonable way such as by furnishing full instructions for use, then the ultimate user will be deemed to have committed infringement. (29) Conversely, the former might not be classified as an infringer by providing materials although he had gone beyond the mere facilitating for the use of the relevant process. (30)

Based on Section 117, it is not necessary for the patentee to prove use by ultimate user, a mere supply by supplier is sufficient for the patentee to institute an infringement action provided the use falls within the meaning. (31) Apparently no corresponding provision exists in the Indonesian Patent Law. The Indonesian government should consider the adoption of this doctrine in order to protect patentee's from the difficult position of proving infringement made by ultimate users facilitated by unauthorised persons.

Although it has been stated that the introduction of the "contributory infringement" doctrine under Section 117 would remove the previous uncertainty, but in practice, as one commented such provision contains a minor

deficiency. (32)

Since the definition under Section 117 subsection (1) which stipulates "if the use of a product...would infringe a patent....", and subsection (2) defines three different situations for the "use", difficulties may arise, particularly when dealing with a situation where the supplier provides a product consistent only with part of a patented combination element. A case in point is a patented vacuum cleaner with a specification including a combination of motor, rotating brush and belt. In this instance, it is questionable whether the unauthorised supply by one person of a belt might be categorised as a contributory infringement. As no clear explanation exists in the provision (Section 117) for determining whether the "use" would refer only to the use of product or may also for the use of any part of it (33) and if the provision is broadly interpreted, supply of the belt in the said invention might be deemed an infringement though in fact, the belt is a staple product.

It is therefore suggested that Section 117 needs further clarification in balancing the intention of this Section, which purports to restrict the supply of specialised parts of a patented combination and simultaneously permits the supply of consumable parts.

Another uncertainty in Section 117 may arise if this clause is regarded as an absolute statement particularly

in connection with the principle of "implied licence to repair", where the purchased article needs replacement to keep the combination working in order. As generally accepted, common law implicitly licenses any purchaser of an article to carry out repair providing the repairment is not across the patentee's right.(34) Thus it is questionable whether the stipulation under Section 117(2)(a) noted earlier will supersede the fundamental principle of common law in respect to "implied licence to repair", given that supplying a part of a patented combination for repair by a supplier is usually accomplished with instruction knowingly intended for the use of a particular purpose. The adoption of Section 117, of course, is not expected to be contrary to the existing principle of common law. Nevertheless, the efficacy of the "contributory infringement" remains to be seen in dealing with the above example.

6.4 Exempted Violation of Patent

Both Indonesia and Australia construe provisions in which certain acts are not to be deemed as infringement. Indonesian Patent Law expressly sets out certain circumstances which are deemed not to be an infringement of a patent right. Notable among these exceptions are the following:

"The import of a patented product or produce made by using a patented process or its equivalent by a person other than the patent holder is not a

violation of the patent, except in certain cases as stipulated further by government regulation" (Article 211).

"If a person is using an invention at the time when an application for a patent for the (same) invention is being made, he shall still be entitled to apply the patent as the first inventor, although a patent is later granted to (another person for) a similar invention." (Article 14(1)).

Article 21 of the Indonesian Patent Law might, in fact be inconsistent with Article 5 quater of the Paris Convention, which reads as follows:

When a product is imported into a country of the Union where there exist a patent protecting a process of manufacture of the said product, the patentee shall have all the rights, with regard to the imported product, that are accorded to him by the legislation of the country of importation, on the basis of the process patent with respect to product manufactured in that country.

It has been commented that most developing countries have demanded a revision of the Paris Convention regarding, inter-alia, Articles 5A and 5quater the inconclusive agreement in the Diplomatic Conference was actually due to Article 5A and not to Article 5quater (35), but since there was no compromise reached, the present text (5A and 5quater) inevitably remain to be enforced. being a developing country, Indonesia is of the opinion not to apply Article 5quater. Thus, Article 21 of the Indonesian Patent law seems to be in contrast to Article 5quater of the Paris Convention.

Furthermore, since the importation by persons who are not

patent holders is admissible, the question on doctrine of exhaustion of rights might be considered. This doctrine is essentially concerned with the power of the right holders to control the goods which are subject to his rights, after the goods are placed on the market.(36) The rationale for this is that once the patentee has enjoyed protection by getting his payment, then he has exhausted his rights and the original protection of the article (patent) is now franked.

However, when a patentee imposed restrictive conditions on the sale which forbade the importation, the likely effect will affect the ultimate purchaser.(37) In the view of Article 21 of the Indonesian Patent Law, such restriction will not exist, particularly in the case of patented pharmaceutical substances. On the first hand, the justification is taken as pharmaceuticals have been playing an indispensable role in public health as well as providing employment. It is, therefore, necessary to market the resulting products of such an industry at the lowest possible price, for example: non-generic drugs, which could only be manufactured from an overseas patented and purchased "copy product".(38)

On the other hand, in conformity with international practice, Indonesia had to consider the imposition by the Pharmaceutical Manufacturers Association who accused Indonesia of not adequately protecting the pharmaceutical industry.(39) Taking account of this international

complaint and to balance it with national interests, the Indonesian government enacted the Implementing Regulation for smoothing the practice of the doctrine of exhaustion of rights, where the patentee imposed such restrictions. So the Implementing Regulation further narrowed the scope of importation and any subsequent acts will only be permitted on products manufactured before August 1, 1991 as listed in the Attachment. (40) In this instance, any act going beyond mere importation will presumably constitute an infringement.

There is no equivalent to Article 21 of the Indonesian Patent Law in the Australian "1990" Patent Act. The probable effect of the Indonesian Article 21 is that it will be interpreted as infringement under the Australian system, even where the patent is confined to a process, and the only working of the process by the alleged infringer has been conducted overseas. This example is found in Beecham Group Ltd. v. Bristol Laboratories Ltd. and Anors. (41) Here, the patentee owned a number of patent products and processes relating to a new class of semi-synthetic penicillins. One of these penicillins was known as Ampicillin. The defendants had undertaken the process overseas, making ampicillin and subjecting it to another chemical process and creating a new chemical structure, named Hetacillin, which was imported into the United Kingdom. In this instance, the use of patented process by defendant was taken overseas and the result brought into the United Kingdom was not similar to

plaintiff's patented product. However, the infringement was established when a test caused the Hetacillin to revert to the molecular structure of Ampicillin upon contact with water. In effect, Lord Diplock conceded that:

"...in respect of any article sold in this country, anything done in the course of its manufacture which would constitute an infringement of a United Kingdom patent if done in this country would constitute a like infringement if before importation it had been done abroad". (42)

Although this case is an English case, there is no doubt that it expresses the rigorous doctrine of importation applied in Australia. (43)

As noted earlier, Indonesian Patent Law under Article 14(1) addressed the problem concerning to whom the patent right should be granted where two persons have independently made an identical invention, and then file the application separately. In this instance, the Indonesian Patent Office may grant the first person filing an application for a patent as "patentee", while the later application will obtain a right as "first inventor". Accordingly, each of them may exploit their right) without infringing one another. Furthermore, Articles 15 and 16 of the Indonesian Patent Law indicate that the use of invention by first inventor must have been taking place at the time the application is made and this should have occurred in good faith.

The situation outlined in Article 14(1) is also addressed under Section 119 of the Australian Patent Act, where

immediately before the priority date of claim, a person:

- (a) was making a product or using a process claimed in that claim; or
- (b) had taken definite step (whether by way of contract or otherwise) to make that product or use that process;

the person may, despite the grant of a patent for product or process so claimed, make the product, or use the process (or continue to do so) in the patent area, without infringing the patent (Section 119(1)).

The above subsection would not apply if the person:

- (a) derived the subject-matter of the invention concerned from the patentee or the patentee's predecessor in title in the invention; or
- (b) before the relevant priority date, had stopped making the product or using the process (other than temporarily), or had abandoned (other than temporarily) the steps mentioned in paragraph (1)(b). (Section 119(2)).

Both legislations might be inconsistent with the novelty requirement for a grant of a patent right where specific elements require as follows:

- No identical invention has been publicly available either in Indonesia (Australia) or abroad.
- No identical invention has been made known to the public by any other means in Indonesia (Australia).
- No other person has previously filed with the Patent Office, an application which describes the identical invention and which was published after the applicant's date of filing.

Both legislations, in essence, speak of a person, who before the date of filing, already use or make the

identical product or process, or had taken definitive step for its use or make. Thus, these provisions could be consistent with the definition of novelty, provided the use or make in the said provisions are restricted to acts regarded by the Patent Office as falling short of anticipation.

Another possibility of conflict which may arise is in the prohibition of any existence of "prior secret use". Where in Australia, this prohibition is stipulated under Section 18(1)(d) in conjunction with Section 9. However, Section 119 and its equivalent under Article 14 are not a part of the prohibition aforementioned, since use is made by "other patentee". In other words, the pre-requisites of prior secret use are ineffective against the prior use, since each of them independently gained the knowledge in good faith. (44)

Furthermore, the Australian Patent Act also includes further exemption of infringement which is parallel with Article 5ter of the Paris Convention, as found in Section 118 of the "1990" Act which stipulates:

The rights of a patentee are not infringed:

- (a) by using the patented invention on board a foreign vessel, in the body of the vessel, or in the machinery, tackle, apparatus or other accessories of the vessel, if the vessel comes into the patent area only temporarily or accidentally and the invention is used exclusively for the needs of the vessel; or
- (b) by using the patented invention in the construction or working of a foreign aircraft or

foreign land vehicle, or in the accessories of the aircraft or vehicle, if the aircraft or vehicle comes into the patent area only temporarily or accidentally. (45)

The aim of this Article is to facilitate the operation of the Paris Convention which means, the operators of vessels etc which is a party to the Paris Convention do not have to secure licenses to use or to exercise an invention every time it comes into territorial waters. Although such matters are not expressly covered by the Indonesian Patent Law, it seems fair to assume that international reciprocal protection will be enforced in this respect.

6.5 Testing of Infringement

Article 30(2)(h) of the Indonesian Patent Law in conjunction with its Implementing Regulation requires an application for a patent to, in essence, define the matter for which the protection is sought (46), and such application will be supported by a written description containing clear information on how to perform the invention, so that experts in the field concerned will understand. It is further provided in its Regulation that description, appended drawings could also be used to interpret the claim. In other words, the claim protected is defined both as a written description and drawing of the core of the invention or certain parts of the invention which require legal protection in the form of a patent.

The Indonesian provisions as a whole are similar to those under Australian Law. The "1990" Act under Section 40(1) requires a provisional specification to describe the invention, and Section 40(2) requires a complete specification to describe the invention fully, including the best method known to the applicant of the performing the invention. Furthermore, Section 40(3) requires that the claim or claims be clear and succinct and fairly based on the matter described in the specification. Functional construing of a claim is important not only in determining the validity of a patent but also in determining whether infringement occurs or not. The significant difference between testing the validity of a claim and testing the infringement of a patent through a claim is that for the purpose of validity, the precise requirement is primary, while in testing the infringement, a claim is interpreted in its broadest sense.(47) In other words, for the latter, all terms contained in the claim must be open to interpretation. A useful judicial statement concerning the function of the claim or claims is to be found in Electrical and Musical Industries & Another v. Lissen Limited(48) where it was said:

"The function of the claims is to define clearly and with precision the monopoly claimed, so that others may know the exact boundaries of the area within which they will be trespassers. Their primary object is to limit and not to extend the monopoly. What is not claimed is disclaimed. The claims must undoubtedly be read as part of the entire document, and not as a separate document; but the forbidden field must be found in the language of the claims and not elsewhere." (49)

Another general principle for testing the construction of claim, recently outlined by the Federal Court of Australia will be found in Decor Corporation Pty. Ltd. v. Dart Industries Inc. (50), which Sheppard J. describes

as follows:

- "The claims define the invention which is the subject of the patent. These must be construed according to their terms on ordinary principles. Any purely verbal or grammatical question that can be answered according to the ordinary for the construction of written documents is to be resolved accordingly.
- It is not legitimate to confine the scope of the claims by reference to limitations which may be found in the body of the specification but are not expressly or by proper inference reproduced in the claims themselves. To put it another way, it is not legitimate to narrow or to expand the boundaries of the monopoly as fixed by the words of a claim by adding to those words glosses drawn from other part of the specification.
- Nevertheless, in approaching the task of construction, one must read the specification as a whole.
- In some cases the meanings of words used in the claims may be qualified or defined by what is said in the body of the specification.
- If a claim be clear, it is not to be made obscure because obscurities can be found in particular sentences in other parts of the document. But if an expression is not clear or is ambiguous, it is permissible to resort to the body of the specification to define or to clarify the meaning of words used in the claim.
- "A patent specification should be given a purposive construction rather than a purely literal one.
- In construing the specification, the Court is not construing a written instrument operating inter

partes, but a public instrument which must define a monopoly in such a way that it is not reasonably capable of being misunderstood.

- The body, apart from the preamble, is there to instruct those skilled in the art concerned in the carrying out of the invention; provided it is comprehensible to, and does not mislead, a skilled reader, the language used is seldom of importance.
- Nevertheless the claims, since they define the monopoly, will be scrutinised with as much care as is used in construing other documents defining a legal right.
- If it is impossible to ascertain what the invention is from a fair reading of the specification as a whole, it will be invalid. But the specification must be construed in the light of the common knowledge in the art before the priority date." (51)

There is a large body of Australian and English case law concerning whether the literal approach or purposive test should be adopted in interpreting patent claims.

In the earliest era, in 1877, where most cases adopted the literal approach, Lord Cairns L.C. established a more generous approach for identifying an infringement which is found in Clark v. Addie. (52) It was held in this case that infringement arises even when the precise invention is not taken and one or more features of the invention are deleted, but the substance of the invention was deemed to have been taken. In the language of Lord Cairns: (53)

One mode of infringement would be a very simple and clear one; the infringer would take the whole instrument from beginning to end, and would produce a clipper made in every respect like the clipper described in the specification (and now the subject of the claims defining the invention).

[In the second mode] the infringer might not take the whole of the instrument described but he might take a certain number of parts of the instrument and make an instrument which in many respects would resemble the patent instrument but would not resemble it in all its parts. And there the question would be, whether that which was done by the alleged infringer amounted to a colourable departure from the instrument patented and whether the infringer had not really taken and adopted the substance of the instrument. And it might well be, that if the patent consists of 12 different steps producing, in the result the improved clipper, an infringer who took 8 or 9 or 10 of those steps might be held to have taken in substance the pith and marrow of the invention.

Clearly, this case demonstrated that colourable invention will not escape infringement.

Over decades, through judicial discussion, these colourable inventions was commented on in relation to infringement (54), such as in, C. Van der Lely N.V. v. Bamfords Ltd. (55) In this case, Gibbs J. observed that "the principle that there may be infringement by taking "pith and marrow" or substance of an invention does not mean that there will be an infringement, where the patentee has, by the form of his claim, left open that which the alleged infringer has done. The learned judge concluded that this does not affect the fundamental rule that there will be no infringement unless the infringer has taken all of essential integers of the patentee's claim." (56)

A good illustration of the modern application of the purposive doctrine was started with Catnic Component Ltd

v. Hill & Smith Ltd. (57) when the House of Lords held that not only the patentee's intention of drafting specification could be considered in question, but the "pith and marrow" of an invention was also to be identified. Lord Diplock expressed himself:

My Lords, a patent specification is a unilateral statement by the patentee, in words of his own choosing, addressed to those likely to have a practical interest in the subject matter of his invention (that is, "skilled in the art"), by which he informs them what he claims to be the essential features of the new product or process for which the Letters Patent grant him a monopoly. It is those novel features only that he claims to be essential that constitute the so-called "pith and marrow" of the claim. A patent specification should be given a purposive construction rather than a purely literal one derived from applying to it the kind of meticulous verbal analysis in which lawyers are too often tempted by their training to indulge. The question in each case is: whether persons with practical knowledge and experience of the kind of work in which the invention was intended to be used, would understand that strict compliance with a particular descriptive word or phrase appearing in a claim was intended by the patentee to be an essential requirement of the invention so that any variant would fall outside the monopoly claim, even though it could have no material effect upon the way the invention worked. (58)

It was conceded in this case that the skilled addressee will have a most important role in determining the question of "essential", and suggested, however, to avoid the overrigid analysis of the wording used from the dictionary's point of view.

In Australia, the principle of "purposive approach" applied in the Catnic case to find an infringement has

been followed in Populin v. HB Nominees Pty Ltd. (59) In addition, it was ruled in a later case that in establishing an infringement through a purposive approach, every essential Part of each essential integer which relates to the purpose of the alleged invention, must be taken by defendant. In this view, eliminating an essential integer which normally will affect the work of the invention, would not lead to constitute an infringement. Apparently, the weight of opinion in the Catnic case did not depart from that view. (60) In other words, the Catnic case suggested a broader approach to "pith and marrow" which in fact favoured the patentee. On the other hand, the existing Australian reported case supported the narrower approach. (61)

Neither the Indonesian Patent Law, nor the Implementing Regulations expressly delineated on the interpretation of claims will incline towards a literal reading or purposive approach. Therefore, legal interpretation is still to be expected from the Indonesian District Courts, from the result of the first infringement case.

However, taking a comparative guidance from cases in other incorporeal properties such as copyright (62) and trademark (63), the Courts' tendency is to apply broad interpretations which favour the rightful holders in finding infringement, even though the provisions in the existing Acts, stipulate a narrow definition. (64) Then, it is fair to assume similar broad interpretations could

apply as well to the patent system.

6.6 Instituting of Infringement Proceeding

The enforcement of patent rights involves the patentee in taking court action to exercise the negative rights derived from granted patent. The issue of patent validity can be raised by an infringer. There is no guarantee that a patent has been validly or properly granted.

Under the Indonesian Patent Law, when an infringing act is discovered, the person entitled may institute proceedings through the prescribed court at any time he wishes during the monopoly period. By contrast, there is a limited period for the patentee to undertake such action under Section 120(4) of the Australian Patent Act "1990" and this is 3 years from the day on which the relevant patent is granted or 6 years from the day on which the infringing act was done, whichever period ends later. The provision contained in the Indonesian Patent Law has no specific limitation period for bringing out an infringement action. Consequently, this may give the patentee the opportunity to institute infringement proceedings in the last period of life of a patent in question although, this could create the possibility for the patentee to be indemnified with a lot sum of remedy for damages arising from an alleged infringement. However, since the assessment of compensation is upon the judge's own discretion, the degree of utilisation of this provision will not be

prime. (65)

Another major difference between the two countries regarding the discovery of an infringement act is that in Indonesia, the infringement only exists after the patent is granted (66) while in Australia, it could occur before the patent is granted. (67) It could be argued that the existing Indonesian provision creates more legal certainty. (68) Nevertheless, both Acts stipulate that the right can only be exercised after the patent is granted.

Furthermore, unlike Indonesia which only regulates that proceedings of an infringement may be brought either by the patentee or licensee, the Australian Patent Act goes further by determining that if exclusive licensee initiates such proceeding, the patentee must be involved in it whether as co-plaintiff or as defendant. (69)

According to Australian practices, beside the patentee's personal interest, the reason for this is simply that a validity of patent is always placed as an issue. (70)

Moreover, a patentee succeeding in this proceeding will be entitled to request a "certificate of validity". Though this certificate does not provide full assurance from being contested on further infringement action, it is convincing evidence for requesting all legal expenses against a defendant who contests him in subsequent litigation. (71) In other words, the certificate acts as

disincentive for reducing patent litigation, given that the latter is usually an expensive and lengthy process. (72) Unfortunately, no equivalent provision is found in Indonesia regarding this matter. There is no doubt however, that it will be useful if the equivalent provision is adopted in the Indonesian Patent Law to avoid abuse of the system through perpetual challenge.

6.7 Remedies

There are various remedies available for the enforcement of intellectual property right. In Australia, categories of relief include injunction, ex-parte order for collective evidence and preliminary discovery, damages or account profit, order for delivery up and/or destruction. By contrast, in Indonesia, the remedies available to patentee are interim injunction criminal liability, delivery up and/or destruction and compensation.

However, it is beyond the scope of discussion in this paper to provide exhaustive treatment on the above types of remedies. Thus specialist texts will be indicated for further details on the subject of remedies. (73)

One of the practical difficulties faced by a patentee who wishes to enforce his rights is collecting evidence in the specified time before the alleged infringer removes the evidence. Facing this, a kind of remedy has been developed in the United Kingdom and Australia, known as the "Anton

Piller" order.(74) This "ex parte" application has been adopted by courts as a kind of discretionary remedy(75), and is made only in extreme cases where the court believes that there is no alternative way to ensure justice for the plaintiff. There are fundamental propositions to the grant, namely:(76)

- the applicant had to have a very strong evidence which will make a prima-facie case;
- the fact had to show the likelihood of the defendant destroying or concealing the evidence prior to a trial;
- the affidavit material had to establish that the applicant is exposed to very serious damage.

The grant of an "Anton Piller" order will usually permit the plaintiff to enter a defendant's premises to search and seize material relating to such infringement. The objective of this order is essentially a type of pretrial prior to discovery. In granting this order, the court demands that the plaintiff conceals nothing, or the plaintiff will be in contempt.(77) However, the application of an "Anton Piller" order has raised criticism in terms of "self-incrimination" as in common law, the general rule, in relation to both evidence and interrogatives, is that "no one is bound to answer any question if the answer thereto would, in the opinion of the Judge, have a tendency to expose the deponent to any criminal charge, penalty or forfeiture which the Judge regards as reasonably likely to be preferred or sued

for". (78) In the Rank Film Distributors v. Video Information Centre (79) case, though the case concerns a copyright matter, the operation of an "Anton Piller" order made clear that the defense of the alleged infringer against self-incrimination as caused by the "Anton Piller" order was limited to the seriousness of the offense in question and likelihood of it being charged. The defense was made in relation to not supplying information and not producing documents. Thus, the search for and seizure of property, which in this case is the illicit copy of film, can still be imposed on the defendant. The "Anton Piller" order is now well established in Australia, generally through the superior courts. (80)

Another equitable order is often referred to as "discovery", where in Australia, the Norwich Pharmacal Co. v. Customs & Excise Commissioner case (81) gave an example of the possibility for a plaintiff to be provided by the Commissioner of Customs the names and addresses of importers who were clearly infringing the plaintiff's patent.

By contrast, Indonesia does not recognise either the "Anton Piller" order or discovery process through a third party. Consequently, in the absence of the doctrine, a plaintiff must be prepared to produce all the evidence he needs to make out his case. (82) Nevertheless, the above instruments only pertain to practical enforcement rather than a strict legal power.

Furthermore, through Article 123(1) of the Indonesian Patent Law, the Court has the power to order the infringer to stop the infringing act in order to prevent further damage to the patentee's exclusive right, when the case is being considered. This remedy is clearly equivalent to interlocutory injunction which is permissible under Section 122(1) of the "1990" Act.

In terms of interim injunction, both legislations provide that, generally the plaintiff will apply to the court for such injunction seeking that the defendant cease certain activities which is claimed to be infringement. On the other hand, the defendant will have to notify and appear before the Court in order to argue the issue about whether or not the interlocutory injunction ought to be granted. Therefore this is an inter-parte application.

There are many leading cases in Australia indicating what considerations are to be taken before granting interlocutory injunction(83), one of which is that no interlocutory injunction could be granted in respect of pending application.(84) The most authoritative interpretation for interlocutory injunction could be found in American Cyanamid v. Ethicon Ltd.(85) Lord Diplock stated as follows:

My Lords, when an application for an interlocutory injunction to restrain a defendant from doing acts alleged to be in violation of the plaintiff's legal right is made upon contested fact, the decision whether or not to grant an interlocutory injunction has to be taken at a time when ex-hypothesi the

existence of the right of the violation of it, or both, is uncertain and will remain uncertain until final judgment is given in the action. It was to mitigate the risk of injustice to the plaintiff during the period before that uncertainty could be resolved that the practice arose of granting him relief by way of interlocutory injunction; but since the middle of the 19th century this has been made subject to his undertaking to pay damages to the defendant for any loss sustained by reason of the injunction of it should be held at the trial that the plaintiff had not been entitled to restrain the defendant from doing what was threatening to do. The object of the interlocutory injunction is to protect the plaintiff against injury by violation of his right for which he could not be adequately compensated in damages recoverable in the action if the uncertainty were resolved in his favour at the trial; but the plaintiffs need for such protection must be weighed against the corresponding need of the defendant to be protected against injury resulting from his having been prevented from exercising his own legal right for which he could not be adequately compensated under the plaintiff's undertaking in damages if the uncertainty were resolved in the defendant favour at the trial." (86)

The enunciated principle made by Lord Diplock, in the case stated above regarding the approach of "serious question to be tried" and "balance of convenience" have been followed in many subsequent cases. (87) So, the injunctive relief must be awarded in fairness and justice to each party. Therefore the court may be reluctant to impose interlocutory restraints particularly when either the patent has already been judicially held to be valid or has stood unchallenged over a certain period, usually six years. (88)

Furthermore, according to Section 122(1) of the Australian

Patent Act, the successful plaintiff should choose alternatively between "damages" and "account profits". (89) The phrase aforementioned under Section 122(1) of the Australian Patent Act is differently construed as illustrated in Colbeam Palmer and Anor v. Stock Affiliates Pty. Ltd. (90) as stated by Windeyer J.:

"The distinction between an account profit and damages is that by the former the infringer is required to give up his ill-gotten gains to the party whose rights he has infringed; by the later he is required to compensate the party wronged for the loss he suffered. (91)

A different result may be raised from those two calculations, given that the calculation of account profit is more precise by only examining the defendant's actual accounts, while damages are more a matter of estimation. Thus the plaintiff loss may be far less than the defendant's gain or vice versa.

Furthermore, in a patent infringement, assessment of damages depends upon the way in which the patentee is exploiting the patent right. In Australia, the most authoritative approach is well exemplified in General Tyre Rubber Co. v. Firestone Tyre Rubber Co. (92)

The main approaches by Lord Wilberforce, in essence, are as follows:

1. If the patentee is a manufacturer, then the measurement of damages will normally be calculated from the diversion of sales from the patentee to the

infringement and the profit which would be made from sales. (93)

2. Where the patentee exploits the invention by granting licences in exchange for royalty payments, then the damages are usually measured as equal to the sums which he should have been paid to patentee if he had legitimate licence. (94)
3. The difficult situations arises, if the invention is dealing with a completely new product and process, neither evidence of sales nor royalty agreements is available to the court. Nevertheless the determination has to be given in court judgement, so the short rules which are commonly produced by the court is what is often referred to as "judicial estimation", meaning taking evidence from any matter or any sort which might be appropriate to the court for giving determination. (95)

Furthermore if the plaintiff elects to take an account of profit as remedy for infringement, in the case where the alleged infringer sells an article made wholly in accordance with the patentee's invention, the formulation principle followed is as enunciated in Peter Pan Manufacturing Ltd. v. Corsets Silhouettes (96):

"what a plaintiff who elects in favour of an account of profit is entitled to is simply an account of profits ... that is, what has the (defendant) expended on manufacturing these goods? What is the price which he has received on their sale? And the difference is profit. That is what plaintiff claims." (97)

However, in circumstance where only part of the article is made in accordance to the patent, then it is suggested that the calculation of profits will be based on the sale and manufacture of the whole of the product, including infringing and non-infringing parts. (98)

It is clear that both the Australian and Indonesian definitions with respect to injunction would operate similarly in the sense of protecting the position of the entitled parties (plaintiff) which have been wrongfully invaded by another party (defendant). Subsequently, the available pecuniary remedies stated above expects to put the injured party in the same position as he would have occupied if he had not sustained the wrong. (99)

As noted earlier, while the Australian Patent Act distinguishes damages from account of profit, the equivalent provision in Indonesia under Article 122(1) simply stipulates "compensation". Taking guidance from the Civil Code, Article 1371(2) provides, broadly, that loss shall be assessed according to the position and ability of each of the parties, based on a case by case basis. As there is no specific basis for the assessment of compensation under the Indonesian Civil Code, and given that the judges have authority to hand down their own decisions, the court interpreted Article 1371(2) to mean that in determining the amount of damages to be awarded, the financial ability of the plaintiff to bear a loss burden, and the financial capacity of the defendant to pay

compensation, will be taken into account. (100)

Moreover, according to Article 1243 of the Indonesian Civil Code, though dealing with compensation for breach of contract, the compensation can include actual loss, costs, interests and loss of profit. It is impossible to predict the amount of compensation awarded under Indonesian Civil Code. (101) In other words, in Indonesia, it is possible for the plaintiff, at the court's discretion, to obtain cumulatively "damages" and "account profit" remedy (102) , which in Australia is prohibited.

Furthermore, as an additional compensation, under Article 123(2) of the Indonesian Patent Law, a "delivery up" of infringing goods is available at final hearing. This means that the infringing goods should be destroyed. Though, the Patent Law does not further specify to whom the good will be delivered, as commonly practised in other areas of intellectual property, the court will take action. Australia also adopts similar practices. (103)

In contrast to the availability of a pecuniary remedy as provided by the court for patentee, there are certain situations where no pecuniary remedy will be granted. The situation is either when the alleged infringer holds the declaration of non-infringement or the infringement exists prior to the amendment of the claim. In the latter case however, if the amendment resulted in the disclosure of -new matter, the damages will be allowed. (104)

Furthermore, the "1990" Act under Section 123(1) provides a special provision which is designed to limit sanctions against the innocent infringer, though it would still be regarded by the court as being an infringement. (105) In this instance the court has discretion to refuse to award damages or an account of profit against a defendant who satisfies the court that at the date of the infringement, he was not aware and had no reason to believe that the patent for the invention existed. Section 123(2) provides what in effect a rebuttable presumption is that, if patented products marked to indicate that they are "patented in Australia are sold or used in the patent area to a substantial extent" before the date of the infringement, the defendant is to be taken to have been aware of the existence of the patent. Having regard to this view, a mere notification from patentee to alleged infringer concerning the existence of patent will also rebut the alleged infringer presumption of not being aware, so a pecuniary remedy may be compensated. By contrast, though it is not explicitly stipulated under Indonesian provisions, since Article 122(1) contained the only idea of "deliberate" infringement, it is supposed that the innocent infringer will also escape from the liability for damages. In other words the doctrine of "innocent infringement" is recognised in Indonesia.

6.8 Criminal Liability

Articles 126 and 127 of the Indonesian Patent Law

provide another kind of remedy which comes in the form of a criminal prosecution. It is enforced if the exclusive patent right under Article 17 is infringed intentionally by other persons. Such kind of remedy which has no equivalent under the Australian Patent Act, might impose on the deliberate infringer a penal sanction of a maximum of seven years in prison and a maximum fine of Rp.100.000.000,- (one hundred million rupiahs, or equivalent to approximately sixty thousand Australian dollars) (Article 126). A similar stipulation is also applied to the simple patent (Article 127). The different remedy enforced in the criminal provisions is hoped to build more confidence in the patentee's side on the efficacy of infringement provisions contained in the Indonesian Patent Law.

6.9 Declaration of Non-infringement

In Australia, under Sections 124-127, after complete specification becomes open for public inspection, a person may apply to a prescribed court for a declaration of non-infringement with respect to a particular patent claim. The effect of this declaration is that whilst still in force, the person is not liable for account of profits or for damages arising from the specified exploitation. However, certain requirements should be fulfilled by the applicant, inter-alia, he:

- must ask patentee in writing for a written admission that the proposed exploitation would

- not infringe the patentee's patent;
- furnish the nominated person or patentee with full written particular of the proposed exploitation;
- undertake to pay reasonable fee for obtaining advice to make such declaration.

Before a court proceeding, a refusal from the patentee should also furnish the applicant. Moreover, during the proceeding, no objection to the validity of a claim is made in respect of declaration sought. The applicant who seeks the declaration might be charged for all relevant costs arising from the proceedings, unless the court rules otherwise. Apparently no equal provisions are expressed in Indonesia with regard to this matter.

6.10 Action for Threats

Considering the extreme cost of patent litigation, it is worthwhile for the right holder to deter any actual or potential infringer by simply threatening an infringement proceeding. For example: a patentee may threaten his competitors as well as their customers, as joint tortfeasor, in order to protect his monopoly. Adversely, this is potential for an abuse of the patentee's monopoly right.

The Australian Patent Act under Section 128 provides that any person who is aggrieved(106) by a patentee's or

another's threat by means of circulars, advertisements or "otherwise" may bring an action against the person making the threat. The term "or otherwise" means any form other than the aforesaid (verbal). Accordingly, verbal threats and letters will be caught by this section. (107)

Furthermore, the relief is available in form as follows:

- injunction against continuance of threat;
- a declaration that such threat is unjustifiable and recovery for any damages caused by that threat. (108)

In this instance, the applicant will be granted the relief unless the threatener can show that the applicant's acts would have indicated an infringement of his valid patent claim or he can also show that his threat is related to an application under process, which is open for public inspection with the possibility of becoming valid if the patent were granted (Section 129).

There is no identical terminology in enunciating the test to be used for determining whether or not a "threat" has been made. Thus reference will be made to the question of fact in each case. (109) A written threat has been found where the language would be understood by the "ordinary reader". (110) as indicating an intention to take proceedings. An example for oral threat is found in Luna Advertising Company Limited v. Buthan & Co (111), the plaintiff supplied a sign to a customer who was visited by

a representative of the defendants. The customer was informed that the sign was an infringement of the defendants' patent and was requested to remove the sign. It was held that the presence of defendants amounted to a threat as it might be concluded from the "ordinary person" facing the situation.

Furthermore, the person threatened must have been targeted by definite and ascertainable means.(112) Thus a threat will not be found to apply if a general threat, by circular or advertisement addressed to anyone in particular is made.(113) However, if it does, in fact, address a specific person then it is actionable.(114)

A mere notification of the existence of a patent or a patent application does not amount to a threat (Section 131). Accordingly, in the relevant sense, no liability will be imposed for any legal professional activity on behalf of the client (Section 132) However, any statement going beyond that would be targeted by Section 128. It should be noted, in Townsend Controls Pty Ltd v. Gilead (115) the Court conceded that the threat action conducted in Australia for infringement overseas or a threat action in an overseas court for an infringement of a registered Australian patent would fall outside the meaning of a threat as purported under Section 128.

In the case that an applicant initiates a claim for injunction against a threat, the respondent (the

threatener) may make a counterclaim based on infringement, in separate proceedings. Subsequently the applicant may then initiate a revocation as a cross claim (Section 130). By contrast, even though these provisions are not found under the Indonesia Patent Law, (116) it is suggested that Indoneisa reconsider the doctrine of "threat" for better legal arrangements which have effectively proved to be disincentives to potential infringement patent litigation.

NOTES 6

1. Indonesia was occupied by Dutch for approximately three and half centuries. See earlier discussion in chapter 1.
2. Prodjodikoro, W., ed.5, 1970, pp.89-109.
3. Taylor, G. D. S. and Brennen, P. J., 1975, Chs.6-7, pp.153-186.
4. Indonesian Code of Civil Procedure, Article 118.
5. The Elucidation of Art.121(1).
6. Prodjodikoro, W., supra note 2, pp.110-121.
7. Articles 23-66 of the Indonesian Patent Law.
8. Articles 68-72 of the Indonesian Patent Law.
9. Article 71(2) of the Indonesian Patent Law.
10. As practiced in Trademark Law, the Supreme Court of Indonesia tends to follow the previous judgment, such as: Hitachi dec. no.1269K/Pdt/1984, January 15, 1986; Seven Up, dec.no.3021K/Sip/1981, December 29, 1982; Yamaha, dec.no.2854K/Sip/1981, April 29, 1982; Intec BV v. Hidjaja Nusantara, dec.no.75K/Pdt/1988, June 20, 1989.
11. The appeal to Federal Court from Commissioner Decision arising out from matter regulated in Sections 35, 36, 42(2), 52, 49, 50, 51, 69(7), 78 of the Australian Patent Act.
12. Section 224 of the Australian Patent Act.
13. Section 120(1) of the Australian Patent Act in conjunction with Schedule 1.
14. Sections 158(1), 158(3), 158(2) of the Australian Patent Act; For further meaning of "prescribed court" see Schedule 1.

15. Dirham, S., Undang-undang Paten dan Peraturan Pelaksanaannya (Patent Law and the Implementing Regulations thereof) paper given in seminar of the Orientation of the Patent Law for Judges, Jakarta, 21-31 January 1991, p.33.
16. Schedule 1 of the Australian Patent Act. For the meaning of patent area.
17. The Patent Act "1952" was predecessor of the "1990" Act.
18. Fearson v. Loe (1878) 9 CHD 48; see also the relevant concern to the principle of bona-fide experiment in Monsanto Co v. Stanffer Chemical Co (1984) FSR 559.
19. White, Blanco T. A., 1974, p.95.
20. This section partly drawn from Ricketson, S., 1984, p.985.
21. Article 21 of the Indonesian Patent Law in conjunction with the Elucidation of Government Decree number 32/1991
22. BMS & Ors v. John Taylor (1900); Pfizer Corporation v. Ministry of Health (1965) RPC 261.
23. Terry, John, 1991, para.58-150, p.23,341.
24. This terminology invited controversy and being a major policy discussed during the preparation of "1990" Act prior to result of using new term "exploit" see Hansard, p.3842.
25. McKeough, J. and Stewart, A., 1991, p.250.
26. The Industrial Property Advisory Committee (IPAC), Patents, Innovation and Competition in Australia, a report 1984 pp. 66-67.
27. Townsend v. Haworth (1878) 48 LJ (NS) 770; Walker Alemite Corporation (1933) CLR 643; Dunlop v David Mosely (1904) 212 RPC 274; Belleging En Exploitatie Maatshappij Lavender BB v. Witten Industrial Diamond

- Limited [1979] FSR 59.
28. Rotocorp International Ltd. v. Genbourne Ltd (1982) FSR 241; Windsurfing International v. Petit (1983) 3 IPR 449.
 29. Innes v. Short & Beal (1898) 15 RPC 449.
 30. Dow Chemical v. Spence Bryson & Co Ltd [1982] FSR 397.
 31. Terry, John, *supra* note 23, para.58-300, p.23,864.
 32. Hind, R & De Bross, R, "Contributory Infringement", Australian Intellectual Property Law Bulletin, v.3, no.8, September 1990, P.61.
 33. *Ibid* at 61.
 34. Solar Thompsom Engineering Co. Ltd. v. Barton (1977) RPC 537 at 555 per Buckley L.J.; see also discussion in chapter 5.
 35. Catanese, Adrien, "Paris Convention, Patent Protection and Technology Transfer", Boston University International Law Journal, v.3, 1985, specifically concerning the U.S. comments, p.233.
 36. The doctrine of "exhaustion of right" has been developed in the European Economic Communities in relation to the movement of goods between member countries; Byrne, N.J., "Exhaustion of Patent Rights in EEC Competition Law", EIPR June 1979; Ricketson, S., *supra* note 20, p.1045.
 37. This imposition must not be presumed but proved in the conditions to sale; National Phonograph v. Menck (1911) 28 RPC 229; See discussion in chapter 5 concerning Implied Licence.
 38. Kesowo, Bambang, "Undang-undang Paten: Latar belakang dan prinsip-prinsip pokok (Patent Law: Background and Basic Principles)", a paper given in seminar, Jakarta, 24-26 July 1990, pp.30-33.
 39. Nio, Threes, "Pertentangan Republik Indonesia-Amerika

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42. Ibid at 201.
43. Pfizer Corporation v. Ministry of Health (1965) RPC 261; Sacharine Co. Ltd. (1909) 26 RPC 654.
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49. Ibid, at 39.
50. (1989) AIPC 90, 549.

51. Ibid.
52. (1877) 2 A.C. 315.
53. Ibid, at 317.
54. Olin Corporation v Super Cartridge Co. Pty. Ltd (1977) 14 ALRR 157; Minnesota Mining and Manufacturing Co. v. Beierdorft (Australia) Ltd. (1980) 144 CLR.
55. (1963) RPC 61.
56. Ibid at 78-80.
57. (1982) RPC 183, per Lord Diplock.
58. Ibid at 242-244.
59. (1982) 41 ALR 471.
60. Rhone-Poulenc Aarochimie SA & Anor v. UMI Chemical Services Pts. Ltd. & Anor (1985) AIPC 90-251
61. Rodi & Weinenberger AG v. Henry Showell Ltd (1969)RPC 36; Olin Corp. v. Super Cartridge (1977) 14 ALR 157; Nicaro Holdings Pty. Ltd v. Martin Engineering Co. (1990) 16 IPR 545; See also Greenwood, A., "Interpretation of Patent Claims in Infringement Proceedings in Australia", European Intellectual Property Review (EIPR) 12, 1987, p.372
62. Public Prosecutor v. Fam Ing Tjun, no.1266.K/Pid/1985, 26th April 1989.
63. Arthur Guinness Son & Co. (dublin) Ltd. v. Darwis Gunawan & Directorate of Trademarks, no.681/Pdt/G/1988, 11th April 1990.
64. In Arthur Guinness case, *ibid.* This case concerns with cancellation action against defendant's registered trademark. Plaintiff's registration relates to all kinds of beers. Defendant was granted a registration : Guinness" for batteries. Although the provisions in the Trademark Law provide cancellation for impugned registration which cover similar goods, in this case

where the registered trademark was for dissimilar goods, the Court decided for the plaintiff.

65. C.V. Setia Budi v. Departemen Transmigrasi Republik Indonesia, no.257/Pdt/G/1985, dated 23rd January 1986 reflected the court's discretion in assessing compensation.
66. Article 22 of the Indonesian Patent Law.
67. Section 120(4) of the Australian Patent Act.
68. Elucidation of Article 22 of the Indonesian Patent Law.
69. Section 120 of the Australian Patent Act; see also Article 122 of the Indonesian Patent Law.
70. Section 105 of the Australian Patent Act.
71. Section 19 of the Australian Patent Law.
72. McKeough, J and Stewart, A., supra note 25, p.254.
73. Spry, I.C.F., 1980; Meagher, R.P., Gummow, W.M.C. and Lehane, J.R.F., 1975.
74. Anton Piller K.G. v. Manufacturing Process Ltd. [1976] Ch.55, approving E.M.I. Ltd. v. Pandit [1975] 1 All E.R. 418.
75. Lockhart J. S. and Gummow W.M.C., Justices, "Patent Infringement and Remedies: Case Studies on Types, Forms and Courts Rulings/Decisions" in Intellectual Property in Asia and Pacific, v.21, 1990, p.23.
76. Howard, Katrina, "The Latest on Injunctive Relief, Mareva Injunction and Anton Piller Orders", Australian Intellectual Property Right Law Bulletin. v.2, no.2, Winter 1989, p.15.
77. Howard, Katrina, *ibid*, p.13.
78. Ricketson, S., supra note 20, p.29; Harmond v. Commonwealth of Australia (1982) 56 A.L.J.R. 767.

79. (1981) FSR 363.
80. See for example, Chrysalis Records Ltd. and anor v. Vere (1982) 43 ALR 440 (Supreme Court of Queensland - Shepherdson J.); Golf Lynx v. Golf Scene Pty. Ltd. (1984) 59 ALR 343.
81. (1974) A.C. 133 (H.L.).
82. The Indonesian Code of Procedure, Article 163. c/f Supomo, R., 1971, p.70; Prodjodikoro, 1970.
83. Beecham Group Ltd. v. Bristol Lab. (1968) 118 CLR 618; Firth Industries v. Polyglass Eng. 132 CLR 489 (the two cases represent old approach); American Cyanamid v. Ethicon (1975) AC 396 (represent new approach).
84. Gamalguard Pty. Ltd. v. Enderslea Production Pty. Ltd. (1985) AIPC 90, 209.
85. (1975) AC 396.
86. Ibid at 406.
87. Appelton Papers Inc. v. Tomasetty Paper Pty. Ltd. (1983) NSWLR 208; Martin Engineering Co. v. Trison Holdings Pty. Ltd. (1988) AIPC 90, 511.
88. Beecham Group Ltd. v. Bristol Laboratories Pty. Ltd. (1968) 118 CLR 618, 624; Ricketson, S., supra note 20, p. 991; Terry, John, supra note 23, Para.58-700, pp.23,934 - 23,941.
89. De Vitre v. Bets (1873) LR 6 HL 319, 321 per Lord Chelmsford.
90. (1968) 122 CLR 25.
91. Ibid, at 32.
92. [1976] RPC 197 per Lord Wilberforce.
93. Essentially drawn from Ricketson, S., supra note 20, P.992.

94. Ibid.
95. Ibid, p.993.
96. [19641 1 WLR 96.
97. Ibid.
98. Dart Industries Inc. v. Decor Corp. Pty. Ltd. (1989) 15 IPR 403; See also Patfield, F., "The Remedy of Account of Profits in Industrial and Intellectual Property", University of New South Wales Law Journal (UNSWLJ), 1984, 7, p.189.
99. Livingstone v. Raywards Coal Co. (1880) 1 App. Cas. p.39 per Lord Blackburn.
100. Wiriadinata, H., "Extent of Corporate Liability Unclear", Asian Law and Practices, v.3, March 11, 1991, p.13.
101. Wiriadinata, H., *ibid*, p.12; C.V. Setia Budi v. Departemen Transmigrasi Republik Indonesia, no.257/Pdt/6/1985 dated 23rd January 1986.
102. Baker & McKenzie, Singapore, "Intellectual Property Protection in Indonesia - An anti counterfeiting guide", unpublished paper, 1989, p.18.
103. Lockhart J. S. and Gummow W.M.C., Justices, "Patent Infringement and Remedies: Case Studies on Types, Forms and Courts Rulings/Decisions" in Intellectual Property in Asia and Pacific, v.21, 1990, p.26.
104. McKeough, J. and Stewart, A., *supra* note 25, p.255.
105. Lockhart J. S. and Gummow W.M.C., *supra* note 103, p.26.
106. In Reymes - Cole v. Elite Hosiery Limited (1965) RPC 102, Lord Diplock indicates that they were a "person aggrieved" if such person, first, were customers or likely to be the defendant customers and secondly the trade with those customers would be adversely affected if the customers refrained from doing the acts in relation to which proceedings had been

threatened. Accordingly, the person aggrieved is not limited to the person directly threatened.

107. Skinner v. Perry [1893] 10 RPC; See Ricketson, S., supra note 20, p.33.
108. See Lahore, J. et al, 1990, para.17-060,
109. Tudor Accessories v. Somers (1960) RPC 215; C & P Development Co (London) ltd. v. Sisabro Novelty Co (1953) 70 RPC 277. See also Yee, C l y d e , "Unjustifiable Threats of Intellectual and Industrial Litigation", Blake; Dawson, Waldron, Reporter, August 1990.
110. Reymes Cole v. Elite Hosiery Company Limited [1965] RPC 102.
111. (1928) 4S RPC 258.
112. Johnson v. Edge (1892) 9 RPC 142.
113. Ibid.
114. Rosedale Associate Manufactures v. Airfix Products Ltd [1956] RPC 360; Boneham & Hart v. Hirst (1917) 34 RPC 209.
115. (1989) AIPC 90-602, 39-235.
116. The possible closest provision may intrinsically contained in Indonesian Criminal Code under Article 335.

CHAPTER 7

CONCLUSION

The Indonesian Patent Law was drafted to suit national interest and to promote domestic inventive activities, which had not developed in Indonesia, as well as to facilitate international technical exchange. However its materialisation does surprise observers as being dominantly coloured with national interest throughout the provisions.

Indonesia does construe some provisions which could be viewed as superfluous, such as the possibility of postponement in examining standard patents, exemption of infringement over importation of certain products and compulsory licencing in respect of dependent patents. However, these provisions reflect the philosophical consideration that private rights should be balanced against the protection of Indonesian national interests as a whole.

In some areas, Australia places its national interests on the provisions in its Patent Act, such as the use of invention by government, where such provisions are applied even after granting of patents. However, the Indonesian Patent Law is less intrusive than the Australian's by merely applying such provision upon inventions either in the application or the processing stages.

Unlike Indonesia, Australia is a developed country. Thus, for the purpose of attracting new technologies, Australia has more stringent criteria for patentability. These are reflected in the provisions of the Australian Patent Act. It could be argued, however, that the relaxation of the Indonesian Patent Law has little affected applications from overseas, given that over 1000 applications have been accepted in the past six month after the enactment of the law. (1)

Nevertheless, both legislations do contain provisions which are comparable with one another. In the Indonesian provisions, in order to encourage indigenous inventive activity, financial incentive is provided to the employee-inventor. In the Australian provisions, the extension of protection period is allowed in the pharmaceutical field to encourage inventive activity, as well as to provide the opportunity for manufacturer to recoup the costs of investment.

Interestingly, the said provisions contained in the respective legislations are in line with current international practices.

Overall the Australian Patent Act displays clarity facilitated by a comprehensive legal infrastucture and reflects the valuable contribution of case law. On the other hand, the Indonesian Patent Law, given the introduction and new enactment of the Patent Law remains

unclear over some aspects such as restrictions on licensing agreements. This is particularly caused by inadequacy of the legislation in restrictive business practices.

Therefore, this paper tries to provide a foundation for further research and may be used as guidance for solving potential problems in Indonesia that are similar to those that arose in Australia.

The comparison in this paper may also facilitate future trade relations between the two countries as well as legal exchange.

In addition, the merits and demerits of the patent system of Australia have not been fully recognised, albeit the system has been practiced for nearly 89 years (since the Commonwealth Patent Act 1903). This is partly caused by economics, as most patents are owned by overseas inventors and the system has not been greatly used or highly valued in local industries in Australia. In view of this, Australia has reformed its patent system from time to time (2) and this is likely to continue. Likewise, Indonesia strongly needs to improve the existing patent system, either by revising or by clarifying certain major provisions through the implementing regulations.

Only with an effective Patent system, will the Indonesian legal system be able to offer adequate protection either

to domestic or overseas investors. All this will ultimately promote industrial development.

NOTES 7

1. IP Asia, January 21, 1992.
2. IPAC Report 1984.